MAS

Palestine Economic Policy Research Institute

Final Report
Round Table Discussion (9)

The Palestinian Economy After 20 years of Oslo Accords

September 2013

Executive Summary
The Palestinian Economy After 20 years of Oslo Accords

September 23, 2013

Rationale

The political negotiations between the PLO and Israel twenty years ago culminated the signing of the Oslo Declaration of Principles, which was the foundation stone for the Palestinian Authority- a bureaucracy that has assumed responsibility for the management of parts of the occupied Palestinian territory. This Agreement has entirely affected different aspects of the life of the population in the West Bank and Gaza, and has created new facts that contributed significantly to shaping the Palestinian economy and establishing its character. Despite the high expectations associated with the Declaration of Principles and the optimistic view of the parties involved and the other parties that supported the agreement, the facts on the ground significantly bucked the bullish expectations, and the ambitions have never been realized.

During the past twenty years, the Palestinian economy saw significant changes that have impacted its key components and growth rates. The major economic and social indicators recovered in the first six years after the agreement, before slipping back significantly after 2000. The structure of the GDP and the contribution of different economic industries have also undergone substantial changes, leading to a paramount turn in the character of the economy- eventually turning it into service-based in the first place. Labor market has also seen some structural changes in terms of contribution of the various sectors in employment. Several factors and agents have influenced the economic aspect of the political process. Though the Israeli side is the number one agent behind the stalemate of the peace process and the development efforts, other parties are still not clean-handed.

Now twenty years after the Oslo agreement- and the unfolded developments and uncertainty that characterized the interim period and impacted the various spheres of life in the West Bank and the Gaza Strip (specifically the economic aspects)- it is probably time for evaluating that period from different angles in order to draw conclusions and look for options available to address the existing imbalances and overcome the current predicament.

Through this roundtable, MAS seeks to initiate an insightful debate between the various stakeholders to discuss the repercussions of the political process and the internal factors affecting the economy. The ultimate goal of such a debate is to examine the options available to decision-makers and other local concerned parties to address this issue.

Moderator: Dr. Samir Abdullah

Presenters:

Mr. Mohamed Nafez Hirbawi: A businessman and President of the Palestinian Business Forum
Mr. Mohsen Abu Ramadan: Director of the Arab Fund for Agricultural Lending and an Expert in Socioeconomic Issues
Mr. Maher Masri: Former Minister of the Palestinian Ministry of National Economy and Chairman of Palestine Capital Market Authority

Key Questions

1. What are the key factors in the Oslo Agreement that affect the Palestinian economy?
2. What are the agreement's key implications on the indicators of the Palestinian economy?
3. What are the major developments that have shaped the economy and forged its character during the past two decades?
4. What are the measures taken recently by the Palestinian decision-makers concerning this issue?
5. What are the alternatives proposed for getting through the bottleneck?

Summary of the main presentation

The background paper involves three main sections. The first section is a rationale of the round table meeting. The second provides an overview of the most important events, as well as the political and economic developments that delineated the economy and impacted its key indicators. The third section presents the most significant changes that affected the various economic indicators.

Overview of key economic indicators

National Accounts
The economic performance improved significantly after the establishment of the Palestinian Authority, such that GDP grew by more than 42% in the late 1990s. In the period that followed the outbreak of the second intifada (and the resulting Israeli restrictions), GDP fell by 30% between 2000 and 2002. In 2003, the Palestinian economy started to recover, achieving high growth rates following the relative calm the Palestinian territories saw from 2003 to 2006, after which economic indicators were heavily impaired following the financial blockade placed on the Palestinian Authority.

After the Palestinian split, international aid for the government in the West Bank doubled and the investment climate became enabling and encouraging. These developments helped the West Bank's economy achieve high growth rates. On the other hand, growth rates in Gaza hit rock bottom in 2009 (following the Israeli attack), but achieved very high growth rates in 2010 and 2011 thanks to the reconstruction projects.

From 1994 on, the Palestinian economy has seen a significant shift in its economy's structure- basically turning into an economy that relies heavily on the sectors of construction and services, of course at the expense of the productive sectors and their contribution to GDP. The Palestinian economy has also undergone substantial changes in terms of the components of GDP. New productive sectors emerged (such as the information technology sector and the banking and non-banking financial sector). Chemical, detergent, pharmaceutical and food industries have enjoyed some growth. On the other hand, other traditional sectors (such as agriculture, some crafts, leather, footwear, textile and apparel industries) have been at disadvantage.

Foreign Trade
In the past two decades, Palestine's trade relationships have radically changed in scope and level. The Palestinian Authority concluded several trade agreements with other countries and economic blocs in order to facilitate trade and receive privileges of access to international markets. However, in practice, the privileges the PA got from these agreements were marginal as other factors were very much detrimental (particularly Israel's control over the crossings and the so-called 'customs union' between Israel and the Palestinian territory).

In general, the size of foreign trade improved significantly: imports between 1996 and 2012 doubled and exports rose by 118% during the same period. This led to an increase in the trade deficit which, at the end of 2012, stood at about $3,479 billion

Destinations of the Palestinian products also saw some remarkable changes. However, Israel remained the first destination, though its share dropped from 94 % to 86%. Meanwhile, exports to Arab, European and North American markets increased at the expense of Israel's share. At the same time, Israel's share of imports fell significantly, reaching its lowest level in 2007, while products from China, Arab countries, Europe and Asia started to arrive to the detriment of the Israeli products.

Labor market

The public sector's share of employment rose dramatically after the establishment of the PA's civil institutions and military services. In contrast, the number of Palestinians working in Israel and the settlements fell after 2000, while the private sector's share of employment dropped in parallel in the subsequent two years of the intifada at the backdrop of the deterioration of the economic conditions and the decline in production. This raised unemployment rate significantly to 31% in 2002, before declining gradually in subsequent years, maintaining a rate of 23% in 2012.

Public Finance

The Palestinian public finance experienced five key stages during the past two decades:

- (1994-1999): Current spending was financed mainly from domestic revenues with a steady decline in the current budget deficit. The budget even enjoyed a surplus in 1998 and 1999.
- (2000-2002): Employing a large part of the unemployed in the government sector swelled the wage bill and increased the current expenditure, while revenues declined (or at best saw relative stability). It is in this period that the PA budget started to suffer a chronic deficit occasioned by local and foreign debt.
- (2003-2005): Palestinian Authority's expenditure continued to rise after the Civil Service Law came into effect and the increase of the number of public servants to 146 thousand.
- (2006-2007): Israel stopped the transfer of clearance revenues. Many donor countries stopped the financial assistance to the Hamas-led Palestinian government. The Palestinian Authority failed to pay the salaries of public servants for long periods of time.
- (2008-2012): This stage marked the Palestinian split which, in turn, engendered significant changes in the structure of the budget and funding sources. Despite the increase in the international support for the budget, the contribution of Gaza in financing the budget declined as a result of the adverse economic conditions, leading to a drop in clearing revenues. The major problem of the current deficit and debt remained unresolved.

International Aid

International aid is an important element that influences various economic indicators in the oPt. This aid has seen many developments, typically associated with the political situation. The international assistance to the Palestinians from 1994 to 2000 totaled about $3,316.7 billion (an annual average of about $500 million). Most of the assistance was allocated in that period to four main sectors: infrastructure, productive sectors, social work and institution-building.

After 2000, considerable changes occurred in the size, distribution, sources and uses of aid. The average annual assistance rose significantly to one billion dollars. In terms of distribution, for the first time part of the aid was allocated to support the public treasury and payment of salaries. The budget-support aid continued its upward trend over time, rising from $510 million in 2000 to a peak of 1,763 billion dollars in 2008, before declining gradually in the subsequent years to plateau at $932 million by 2012 year-end. On the other hand, relief aid increased at the expense of supporting development projects.

Summary of contributions

Dr. Samir Abdullah

Dr. Samir Abdullah opened up the meeting with an overview of the most important changes the Palestinians saw as a result of the Oslo Agreement, namely:

- Oslo is an interim, transitional agreement that is valid for only five years. At the time when this agreement was concluded, signatories did not expect that this agreement would remain in effect for more than 19 years.
- The Agreement led to the establishment of a Palestinian Authority with limited capabilities, but numerous responsibilities.
- Once the Agreement was concluded, an influx of international aid started to pour into the Palestinian territory. This flow of aid was basically linked to the progress in the political process.
- As an extension of the Agreement, the Palestinians and the Israelis signed the Paris Protocol that regulates economic relations between both sides. The Protocol allowed a minimal margin for the development of the Palestinian economy. Despite the criticism it came under, the Protocol changed the relationship between the Palestinians and Israelis from the de facto pre-Oslo situation to the de jure post-Oslo contractual relationship.
- Under the Oslo agreement, the way the daily affairs of the Palestinians changed. Before Oslo, daily affairs would be managed by the civil administration of the occupation authorities (coupled with the wrongful, iniquitous measures the occupier's departments and official bodies placed on the Palestinians). After Oslo, it is the PA and its executive bodies that are now responsible for providing public services to the population of the Palestinian territory.

Dr. Samir Abdullah then overviewed the Agreement's main determinants, which reduced the chances of success and the achievement of development in the Palestinian territory:

- Under the Agreement, Israel was able to hold the main aspects of the Palestinian economy, particularly the control of land crossings, airports and seaports.
- Israel also retained its control over Area (C); thus stripping the Palestinians of the opportunity to exploit the natural resources in that area. In addition, Israel hindered the implementation of infrastructure projects in this area and constricted the movement of people and goods between Palestinian communities since Palestinians are not allowed to use the roads in Area (C).
- Palestinian sources of water remained under the Israeli control, even those located in areas (A) and (B).
- Under the Paris Protocol, most of the Palestinian revenues (about two thirds) are levied by Israel's Ministry of Finance and then transferred to the PA through the clearing service. From time to time, Israel would use this privilege as a tool to blackmail the Palestinian National Authority. Many times, it froze the transfer of these revenues and deducted part of them for the benefit of Israeli companies. This weakened the PA's ability to meet its obligations properly.

The previous data suggest that the growth of the Palestinian economy is still at the mercy of the Israeli behavior and the extent to which Israel complies with the concluded agreements, especially regarding the use of crossings for goods and people (including those between the West Bank and Gaza) and development projects that require the approval of the Israeli authorities (such as roads, water, solid waste and electricity projects, as well as permits to work in Israel). In parallel, the Palestinian economy continues to endure appalling inconstancy in its development indicators, and it has been incapable of achieving sustained growth over the previous period, while the economy remained a victim of the prevailing political climate.

A Summary of Mr. Mohammed Hirbawi's Presentation

Mr. Hirbawi began his presentation with an overview of the Palestinian economy prior to 1994, pointing to the Israeli insisting efforts to keep the Palestinian economy a subsidiary of that of Israel. This figured in:

- The flow of Palestinian workers to the Israeli market, which had adverse effects on the Palestinian agriculture and industry sectors because of the high wages and unfair competition. The Palestinian construction sector, which couldn't compete with its Israeli counterpart, was another victim.
- Israel's refusal to issue permits for setting up or developing factories.
- A decline in the capacity of existing industries to compete with Israeli industries, resulting in closing down many factories.
- Marketing Palestinian tourist places as Israeli resources.
- Disappearance of the banking sector, while the Israeli banks operating in the Palestinian territory were only used to pay salaries and collect checks without providing any credit facilities to the Palestinians.
- Denial of construction activities outside urban areas, and expanding settlement activities.

With the start of the political process in 1991, the private sector started to assume a greater role in the development process, focusing primarily on:

- Creating an enabling investment environment through the formation of representative agencies of the private sector, such as trade unions and business forums.
- Reducing the heavy dependence on the Israeli economy: The private sector started to invest in various economic industries such as banks, insurance, manufacturing, trade, tourism, and information and communication technology. To some extent, it succeeded in scaling down dependency on the Israeli economy.
- Building relationships with the Arab world and international markets: The private sector would access international markets through participation in exhibitions and conferences and the search for new markets. Paris Protocol is considered a major obstacle to join Arab and international markets. Further, there are inherent imbalances in trade agreements, which weakened the opportunities to take advantage of these agreements. Meanwhile, Israel continued to control land crossings and maritime ports that are supposed to connect the Palestinian territory with the international markets.

According to the Palestinian private sector, any real development process in Palestine needs first a comprehensive plan where all parties are engaged (the Palestinian Authority and the private sector), and second a removal of Israeli restrictions. Assuming no likelihood of reaching an all-out, final resolution of the Palestinian Cause in the near future, Mr. Hirbawi highlighted several elements that can achieve real economic development in Palestine:

First: Infrastructure

- Roads linking cities: Upgrading the existing roads and building new ones to facilitate the movement of people and goods, especially a highway linking the north with the south.
- Industrial zones: Setting up industrial zones outside cities, along with all the necessary services for the establishment of a Palestinian manufacturing sector that can meet the needs of the local market and contribute to reducing unemployment.
- Tourism and Antiquities: Rehabilitating all tourist facilities and archaeological sites and securing all the necessary services for these sites.
- Electricity: Building power plants in order to gradually dispense with energy imports from Israel.
- Water: Establishing projects that aim at pumping out ground water for human consumption, irrigation and in industrial facilities.

- The airport and the seaport: Building an airport and a seaport so as to beat Israel's monopoly of control over the Palestinian crossings.

Second: Strategic industries and materials

- Cement: Setting up a factory for the production of cement in partnership between the Palestinian Investment Fund and the private sector.
- Steel: Building a factory that produces construction steel in partnership between the Palestinian Investment Fund and the private sector.
- Grains: Appropriating central stores (silos) for wheat and other grains, so as to build up a strategic stock.

Third: Public transport

- Establishing public transport companies with a network connecting all Palestinian towns and villages, in order to facilitate the movement between those cities and villages.

Fourth: Laws and regulations

Though there are several related laws and regulations that govern the economic activities in Palestine, there are still some laws that need to be approved, and others need revision in preparation for amendment, including, but not limited to:

- Companies Act, Income tax Law, Labor Law, Intellectual property and trademark Law, Law of retirement for the private sector's employees, Trade Law and Mortgage Law.

Fifth: Services

- In 2013, Palestine ranked 132 in the Doing Business Report. This requires concerted efforts from all stakeholders to improve the process of obtaining services.

Sixth: Security and Judiciary

The last five years saw significant improvement in this area. However, there is still much to be done to improve the business environment in Palestine.

Mr. Hirbawi concluded his speech saying that the opportunity to improve the performance of all parties still exists, but it requires a strong will and a defiant political decision. He also maintained that reform is still possible, but it needs a nationwide debate that seeks a collective agreement on a comprehensive development plan in which each party assumes its responsibilities for the advancement of economic, educational and health aspects.

Summary of Mr. Mohsen Abu Ramadan's Presentation

Mr. Ramadan's paper provided an overview of the development of Gaza's economy since 1993. He divided the study timeline into four phases:

The first phase (1994-2000)

Israel was able to exploit some of Gaza's resources, such as the cheap labor. The lack of independent productivity in the agricultural and industrial sectors and the overlap between Gaza's economy and Israeli companies (or via these companies with regard to networking with international companies) helped the occupying power in alienating and disabling the dynamics of development productivity. Israel's exploitation of Palestinian resources was further worsened by Israel's endeavors to deepen trade relationships between the two sides, thus plundering openness of the Palestinian economy in the Gaza Strip to the global markets. Israel also took advantage of the cheap (and relatively skilled) labor to promote subcontracting. It encouraged Gazans to grow export-oriented products (such as flowers, strawberries and medicinal herbs) at the expense of other traditional products, such as citrus fruits.

Many factors helped to achieve some improvement in the economy of the Strip, notably international aid; the PA's employment of thousands of the unemployed in its ministries, agencies and security services; and the relative easing of restrictions placed on Gaza, stimulating export and import through Israeli agents. Yet, trade between the Gaza Strip and the West Bank, and between Gaza and the Egyptian side remained minimal.

The relative recovery in the economic conditions contributed to improving tax collection and increasing local resources, thus improving other economic indicators such as unemployment and poverty rates. It is worth considering, however, that this growth was not occasioned by a significant increase in productive sectors (except for the construction sector, which saw some improvement in its contribution to both gross domestic product and employment).

The second phase (2000-2004)

After the outbreak of the intifada in September 2000, Israel took a series of punitive measures that adversely impacted the economic situation in the Strip. It restricted the movement of goods and people from Gaza to Israel, and placed restrictions on trade between Gaza and international markets. It also reduced the number of Palestinians employed in Israel to a minimum.

The Israeli policy to destroy Gaza's economy was systematic: sweeping planted land, shelling factories and workshops and clamping down on fishermen. Nevertheless, Israel has kept Palestinian workers in the Erez industrial zone and encouraged subcontracting, especially in the garment industry and the exploitation of agricultural crops (especially strawberries and flowers) to serve its own interests.

These measures turned the Gaza Strip into a consumer market, eventually turning it into a humanitarian relief beneficiary. This has even been fueled by the donors' focus on humanitarian and relief programs rather than infrastructure, water treatment projects or agricultural and industrial zones. The set of these determinants in that period led to a sharp decline in the contributions of agriculture and industry in GDP, and raised poverty and unemployment rates.

The third phase (2005-2006)

Year 2005 was climactic and it marked a deterioration in the political and economic situation in the Gaza Strip. Israel implemented the unilateral disengagement in mid-2005, but kept its control over border crossings, which exacerbated Gaza's hardship. To some extent, however, the relative facilities at the Rafah Crossing attenuated that hardship (particularly the ability of businessmen to move and communicate with Arab and foreign markets). Still, the atmosphere of the Strip's economy remained morbid (dependency on Israel, poor productive sectors and relief programs at the expense of development sectors).

The consumption character of Gaza's market was even perpetuated through the flow of low-price Chinese and Turkish goods, giving a blow to local products. Meanwhile, the standard of living in Gaza remained calamitous with the persistence of high poverty and unemployment rates. One of the objectives of the Israeli unilateral disengagement plan was to separate the Gaza Strip from the West Bank, leaving the former vulnerable with its own meager resources. This objective had been relatively realized, where the volume of imports from Egypt doubled, especially through the tunnels (which were few in that period, but started to grow following the Israeli restrictions on the movement of goods and individuals through crossings).

After Hamas won the legislative council's elections and formed the government, Israel and the international community placed a financial and commercial blockade that suffocating Gaza, eventually triggering very serious economic repercussions on the economic structure of the Strip.

Again, a number of factors defended the social and economic situation against collapsing. Through donor funds, the PA continued to pay salaries and provide aid to thousands of Gazans, while international relief agencies (particularly the UNRWA) implemented many relief programs. At the same time, the process of conveying goods through the tunnels was vibrant.

The fourth phase (2007-2013)
During this phase, different factors influenced the structure of Gaza's economy. The most prominent elements were the blockade and the split, which perpetuated the separation between Gaza and the West Bank. Gaza then would rely heavily on tunnels (70% of the market needs came through tunnels, while the rest came via the Kerem Shalom Crossing).

In that period, a new class of tunnel dealers emerged. Some reports revealed that more than 600 dealers became billionaires from this trafficking. The tunnel trade highlighted several issues: the overlap between the government and the economy; the emergence of the shadow economy; and lack of control over imported goods.

The Israeli aggression on Gaza in 2008 led to a huge loss of about $ 1.8 billion. The majority of factories operating in Gaza closed down; the number of employees in industry and agriculture declined significantly; and construction and infrastructure projects stopped. Meanwhile, international relief was augmented, but certainly it didn't take into account the priorities of the population and, somehow, contributed to the turning the Strip into a mere human-aid target.

On the other hand, the split also forestalled economic planning and development and generated two Judiciary systems, which created two distinct political and legal systems, threatening to change the split into a permanent separation between two regions, each with its own distinctive economy, social tissue and culture.

From June 2010 till the present, there has been significant economic growth due to development that associated the 'Qatari Grant', together with easing restrictions on the entry of construction materials and fuel in a sustainable manner through the tunnels. The UNRWA and some international organizations also helped in making way for building materials to implement some specific projects in the enclave.

The current situation
Economic indicators in Gaza saw some improvement (in some cases outweighing those in the West Bank); however, this shouldn't mistakenly be taken as a significant improvement in the standard of living, since poverty and unemployment rates continued to rise. This has highlighted issues of the ability of Gaza's economy to achieve sustainable development (vs. tentative growth); the ability to empower the poor and change their relief-receiver status; and ensuring the realization of the principle of equality opportunities between members of the community. Given the current situation after the ouster of the Muslim Brotherhood in Egypt on August 30, 2013, Egyptian authorities closed down about 90% of the tunnels, while Israel has kept its land and sea blockade on the Strip; denied the Palestinians' right to use the eastern area of the Gaza Strip (25 thousand dunums); and allowed fishermen to move only in a span of 3 nautical miles. This blockade has not only impacted the economy, but also hindered production inputs and denied the entry of fuel, which ultimately terminated industrial and agricultural projects.

Summary of Mr. Maher Masri's Presentation
Mr. Maher Masri first set forth the history of the Palestinian economy so as to identify the changes that occurred after the Oslo Agreement. His presentation did not intend to analyze the gaps in the agreement, but rather the changes that took place after 1993. With the establishment of the Palestinian Authority, a large number of Palestinian expatriates returned home, bringing along considerable funds that had a significant role in the establishment of several industrial and service

organizations- which changed the economic situation and produced new industries and services that employed a large number of labor.

Meanwhile, donor countries were able to take advantage of the various views. Between 1995 and 1998, international aid was a key element in supporting infrastructure projects according to the priorities of these donors, while the role of the Palestinian Authority was limited to channeling this aid to its priority projects. Later on, however, the PA assumed a greater role in this regard. In 1999 and in the first three quarters of 2000, the Palestinian economy achieved a significant growth and the private sector's contribution to employment exceeded that of the public sector. At the same time, there was some growth in the industrial sector, but a shrink in the agricultural sector in terms of contribution to GDP and employment. This period also marked an improvement in the service sector and the start of the information technology sector. After 2000, however, the contribution of industry and agriculture to GDP fell significantly. By contrast, the information technology sector and the construction sector saw some growth, while the services sector enjoyed a significant growth.

The prudent policies were a key element in informing the economic growth. Over the past twenty years, the Palestinian economy has helped the Palestinians to stay recusant in their homeland no matter the decline in major indicators.

Before the blockade Israel placed on the Palestinian Territory in 2001, cities were the Palestinian economic hub. Villagers, then, would seek trade transactions in the main cities. However, after the siege, rural communities had to establish service agencies to their population, thus creating what came to be known as 'small towns.' In parallel, Palestinians outspread in Area C, thus populating it and keeping it vibrant and dynamic in the face of Israel's efforts to depopulate it.

Masri believes that the decision-makers and the private sector leaders should consider the main provisions of the Paris Protocol and insist on their application through Western and Arab countries, especially with regard to import, export, ports and Area (C). A special attention should be given to the marginalized, low-yielding sectors such as agriculture. The issue of economic durability (which is different from economic development) should be made a top priority, Masri reiterated.

Summary of the Discussion

Mamoun Abu Shahla
During the past twenty years, the Palestinian economy saw significant changes that have impacted its key economic components. On the one hand, the major economic and social indicators recovered in the first six years after the influx of aid and investment capital, before slipping back significantly after 2000 as a result of the stifling Israeli policies (including the seizure of clearance revenues and denying Palestinians the right to work in the Israeli market). Further, there were structural changes in the size and structure of international aid after the second intifada. These changes forced the PA to employ large numbers of labor in the public sector. This, in turn, has swelled costs and increased the budget deficit. In 2007, the Palestinian political split and the blockade of Gaza produced a 'tunnels economy', which created imbalances in the oPt's economy.

Among the key factors impacting the Palestinian economy in the Oslo Agreement were the border crossings, customs, currency, banking, clearing, exports, labor market and the seizure of Palestinian overseas holdings. Abu Shahla enumerated some of the key aspects that have created the current economy: unemployment, underemployment, increased imports, the consumer society trend, an increase in the marginal tendency to consume and the poor productivity of the agricultural and industrial sectors. Abu Shahla concluded his talk with some recommendations: commencing trade between the West Bank and the Gaza Strip, as well as between Palestine and neighboring countries; reducing Israeli restrictions on transportation, opening crossings between Palestine and Jordan and between Palestine and Egypt to the exclusion of Israel.

Dr. Raslan Mohammed
Dr. Mohammed first highlighted the dramatic rise in the trade deficit and the high unemployment rate in the Palestinian territories. He then questioned the preparedness of the Palestinian side to disengage from Israel or revoke, or amend, the Paris Protocol.

Mr. Mohammed Hirbawi answering this question: In the previous period, the services sector saw some growth, while the agriculture and manufacturing sectors declined given the obstacles (and the restricting agreements), as well as the failure to exploit Area (C). He continued to say that the concept of unemployment is closely associated with the conception of people about easy life, the tendency to consume more than produce, and the way people conceive of underemployment, which negatively impacted people's thinking and dispirited them.

He added that the post-Oslo period saw the birth of the Palestinian economy's kernel that could have been the basis for a robust economy. He maintained that the issue of Area C should be settled in order to take opportunity of the agricultural, industrial and infrastructural capabilities there. Developing a clear-cut plan for the private sector and the Palestinian government (to seize opportunities in the future) would be a necessary step, he remarked.

Raja' Msallam
Msallam related that the Oslo Agreement has always come under fire from Palestinian circles. However, she said, when we consider the economic situation before and after the Agreement, we clearly notice a significant positive change in the Palestinian territories. She continued to say that in spite of the gaps in that agreement, we should be objective when considering its effects. She criticized the private sector's organizations and research institutions that have no active role in informing the PA's policies, probably as a result of lack of communication.

Mohammed Qirresh
Mr. Mohammed Qirresh started his talk with a metaphoric image: "we started our harvest (of the Oslo Agreement) before the fruit ripened." The PA was supposed to make things clear concerning Areas B and C. The PA remained silent about many gaps in the agreement assuming that Oslo is only an interim period of five years, Qirresh observed.

Mr. Qirresh then remarked that economic durability is important, but responsibilities should be distributed evenly. He concluded that the Paris Protocol is one of the worst events in the history of the Palestinian economy and politics.

Mohsen Abu Ramadan
Mr. Mohsen Abu Ramadan focused on two main themes: first, the likelihood of making improvements in the framework of the economic and political system within the Oslo Agreement and the Paris Protocol, such as focusing on Area C, implementing direct transport, setting up free industrial zones, and developing appropriate legislation and policies.; and second, considering the way the change should take place (with relation to economic durability and linking it with the new political route). Abu Ramadan believes that economists, the private sector, research institutes and experts should think beyond the Oslo Agreement framework, so as to develop an alternative plan with certain criteria, including the fortitude of farmers, the establishment of a cooperative economy and encouraging micro enterprises.

Dr. Fathi Srouji
Dr. Fathi Srouji focused in his talk on the role of the agricultural sector, saying the real value-added agricultural sector is steadily increasing despite the many obstacles, particularly the confiscation of agricultural land for the purposes of building and expanding colonial settlement; the ban on importing many types of fertilizers; the apartheid wall; and the problems of domestic and external marketing. If the blockade had been in any way virtually beneficial, it was forcing Palestinians to cultivate their land, he said.

Srouji related that the share of the agricultural sector in the general budget has always been law (less than 1%), noting that though the PA calculated the damages the agricultural sector incurred between 2008 and 2012 because of natural disasters, the farmers have yet to be compensated for their loss. He reiterated that removing these obstacles will augur well for income, exports and food security.

Dr. Atiya Mesleh
Mesleh underscored that Israel's control of artesian wells is the main reason behind the dilemma of the agricultural sector. He noted that it is important to develop effective policies and strategies so as to ensure economic durability amidst high unemployment and poverty rates. This can be achieved through the implementation of all provisions of the Agreement; and spanning activities into Area C; focusing on micro projects- making them export-oriented.

Dr. Jamil Taher
Taher adverted that the problem lies in the extent to which the Palestinian side is prepared to act if the Paris Protocol is revoked, noting that this move needs much groundwork, such as the knowledge of the customs system, border crossings and taxes, as well as defining the relationship with the Israeli side. He stressed that the Palestinian side should look for options, either to take advantage of the agreement or to revoke it with minimal losses.

Dr. Samir Abdullah
Dr. Samir Abdullah summarized the roundtable discussion, contending that all the signs available reveal that the Palestinian economy (in light of the confiscation of its resources, the hostile policies of Israel and the obstacles mentioned above) has entered into a coma that left it vulnerable and unable to generate enough jobs for the new labor force entrants (that would every year add to the 260 thousand people already unemployed). The economy is now unable to generate enough revenue to dent the deficit in the current and developmental budget, and now the survival of the economy depends on the donor's assistance, which has started to decline since 2010. This has eventually bloated domestic debt (now totaling four billion dollars). Therefore, freeing the seized economy resources, as well as plugging the current and developmental budget, is the only way to prevent the collapse of the PA and break the fall of the economy (as long as the international community is unable to end the Israeli occupation). Undoubtedly, ending the occupation is the shortest and best way to put an end to the Palestinian economy's overdependence on donor nations, and create a solid base for sustainable development.

Recommendations

The roundtable meeting was concluded with a number of recommendations:

- The Palestinian political discourse should emphasize that heavy reliance on international assistance is not a Palestinian option; that this assistance is a result of the inability of the Palestinians and their economy to bear the high costs of the Israeli occupation and its colonial tendencies; and that the way to ease the burden of the donor countries lies in forcing Israel to end its occupation of the Palestinian state.
- Economic durability is a leading force in the protection of the Palestinian national project which seeks freedom and independence. These goals require a special consideration of the vulnerable productive sectors such as agriculture, particularly through increasing government support for this sector, encouraging the cooperative economy, and promoting agricultural products.
- The international community should ensure that Israel complies with crossings agreements provided for in the Interim Agreement and the 2005 Crossings Agreement, which obligates parties to open the border crossings with Egypt and Jordan to the exclusion of Israel. Meanwhile, all import procedures, customs and exports within the areas under the control of the PA should be brought into effect through the implementation of 2012 autumn understandings.

- Constancy and development require an even distribution of responsibilities to the different members of the community in parallel with the distribution of development gains.
- Supporting the private sector is critical. This could be done through setting up industrial zones and creating adequate infrastructure.
- It is important to pressure the Israeli side to transfer the management of Area (C) to the Palestinians; to allow the population to cultivate their land; and to exploit the natural resources available in this area, so as to improve economic activity and tax collection.
- Focusing on micro enterprises and providing them with all available resources in order to boost their performance and success.
- Liaison of the efforts of different developmental parties, and working concurrently at all levels: political, economic and social.

Attendance Record for the Round Table (9)

Name:	Institute Name
Shatha Abd Al- Samad	FES
Gabor Foese	FES
Dr. Fathi Al- Srougi	MAS
Mohammed Herbawi	Palestinian Business Forum
Salah Al-Odeh	Chamber of Commerce
Dr. Tariq Sadiq	BZU
Dr. Mohannad Abu- Rjeleh	BZU
Dr. Hazem Shunar	MONE
Ja'far Sadaqa	Wafa News
Ingrid Ross	FES
Jameel Taher	PIF
Obaida Salah	PMA
Ahed Khatib	PIF
Ahmad Juha	MONE
Moahammed Kirresh	Palestinian Economists Association
Mohamed Ghazi Herbawi	Chamber of Commerce
Ali Muhanna	Federation of Chambers of Commerce
Yousef Dawoud	BZU
Dr. Ateyyeh Musleh	Al-Quds University
Omar Odeh	MAS
Ameen Majd	MAS
Jawad Al- Herbawi	Chamber of Commerce
Dr. Ruslan Mohammed	Al- Quds University
Mohannad Hamayel	PSBC
Maher Al- Masri	PCAM
Shehadeh Hussien	PMA
Omar Zammo	BZU
Safieh Muhareb	MOP