



## MAS Conference 2003

### *Enhancing the Capacity of the Palestinian Economy*

MAS held a conference in 2003 to discuss the findings of the Institute's research project on 'Enhancing the Capacity of the Palestinian Economy' which was the most significant Palestinian scientific and cultural event in 2003. The conference was held from 10-11 June, 2003 under the auspices of President Yasser Arafat and attended by some 350 participants including ministers, PLC members, leaders and officials from the public and private sectors, civil society, academics, researchers, and representatives of regional and international organizations and the donor community



Inaugurating the conference, Prime Minister Mahmoud Abbas focused on the essential aim of developing an independent and viable Palestinian economy capable of serving the basic needs of the Palestinian people, restructured to enable gradual integration into regional and international economies and forging the foundations for an independent Palestinian state. The Prime Minister emphasized the need for a clear developmental vision and a professional, accountable, and transparent public administration functioning efficiently in real partnership with the private sector and controlled by a modern legal system with an independent judiciary.

Via video-conferencing, the President of the Islamic Development Bank, Dr. Ahmed Mohammad Ali, highlighted common developmental interests in strengthening economic relations between Palestine and Arab and Islamic countries and the significance of formulating short and medium term economic strategies that connect relief with development. He called on participants to agree on the priorities guiding Arab and Islamic assistance towards enhancing the capacity of the Palestinian economy and minimizing its heavy dependence on the Israeli economy.

Mr. Ismail Zabiri, Chairman of MAS Board of Trustees who presented the speech on behalf of Amr Musa, Secretary General of the Arab League, said that assistance from Arab and Islamic countries was assured and would be directed towards relief and economic restructuring. Musa



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called for preferential treatment for the Palestinian economy in the development and upgrading of Palestinian-Arab economic and trade relations, which would prove of common interest in both enhancing Palestinian survival as well as protecting Arab national security.

Terje Roed-Larsen, UN Secretary General Personal Representative to the PNA and UN Special Coordinator for the Middle East Peace Process, spoke of 'the right of the Palestinian people to pursue security and economic prosperity unfettered by the shackles of occupation.' He emphasized the need for reconstruction to ensure that the Palestinian economy can sustain itself, pointing out that the challenge facing the international community is how to meet emergency needs while at the same time preventing a rapid deterioration of the Palestinian economy. He highlighted the commitment and backing of the international community for the Road Map promising a sovereign, viable Palestinian state and an end to Israeli occupation of land seized in 1967.



MAS Director Dr. Ghania Malhis focused on the significance and urgency of devising a comprehensive Palestinian developmental vision capable of enhancing the capacity of the Palestinian economy, strengthening the Palestinian community and laying the foundations for a sovereign, viable Palestinian state. She described the need for a clear economic strategy and coordinated policies with coherent goals and priorities to be implemented through work plans that link relief with development. This strategy, she argued, would support the Palestinian people, reform the deformities inherited from the occupation, enhance the productive and absorptive capacity of the Palestinian economy, diversify economic and trade relations and improve those with Arab and Islamic countries, all essential to minimize the heavy dependency on the Israeli economy and redress the peace process.

The number and caliber of conference participants representing the Palestinian political and economic spectrum was indicative of the level of national concern about these issues. Throughout the two day conference, participants reviewed and discussed Palestinian performance during the transitional period with frankness and constructive self-criticism. There was consensus that Palestinians must bear responsibility along with Israel for poor Palestinian performance and that urgent reform and reconstruction is required to face existing challenges and protect Palestinian national interests. Differences were highlighted between national aspirations for reform and external pressures that deny the inalienable rights of the Palestinian people through coercion and destruction. Most participants agreed on the need for comprehensive reform of strategies, policies and practices beyond those of the financial and public administration in order to create a modern democratic system under the rule of law. With



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community participation, this would accelerate the end of the occupation and accomplish independence.

The presentations and discussions at the conference focused on five main topics; **firstly, the main indicators of Palestinian economic performance during both the occupation and transitional periods** with focus on the development of Palestinian economic capacity. **The second topic pertains to a Palestinian developmental vision**, which should draw on successful international experiences to formulate a developmental strategy with clear goals that meet challenges and exploit opportunities to combine both the struggle for independence and the establishment of a state. **The third topic discusses enhancing the capacity of the Palestinian economy** through reforming distortions, improving productive and absorptive capacity, and reducing the heavy dependence on the Israeli economy as prerequisites for independence. **The fourth topic examines the requirements for developing economic and trade relations with Arab and Islamic countries**, which would be of common benefit and interest to both Palestinians and Arabs. **The final topic is a critical review of the form and patterns of Palestinian economic relations with Israel**, given that it is impossible to detach economics from politics in the Palestinian-Israeli relationship. Palestinian-Israeli economic relations do not have to cease but should be subjected to regulations that prevent further Israeli manipulation and intimidation of the Palestinian people.



To read the Justification, Objectives and Main Assumptions of MAS Research Program on Enhancing the Capacity of the Palestinian Economy and Improving Economic and Trade Cooperation with Arab Countries

To read the full Conference Book click on the link below:



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## [Working papers and proceedings of the annual conference 2003: 'Enhancing the Capacity of the Palestinian Economy'](#)

Following are synopses of the papers presented at the Conference:

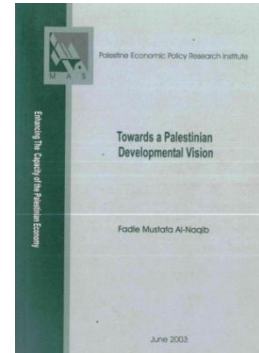
### **Towards a Palestinian Developmental Vision**

*By Fadle Al-Naqib*

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This study outlines a general framework for Palestinian economic development based on existing Palestinian conditions and taking into account the consequences of Israeli measures. This will provide the theoretical framework required to accelerate an end to the occupation and lay the foundations for a viable independent Palestinian state.

The research program is divided into three parts: The first focuses on the conditions that accompanied the establishment of Palestinian self-rule and the assumption by the PNA of powers and responsibilities in various parts of the West Bank and Gaza Strip. The second section focuses on the fundamentals of the developmental process and the role played by the state in this process, as exemplified by the experience of successful countries. The third section focuses on the Palestinian developmental process, its main principles and its various stages.

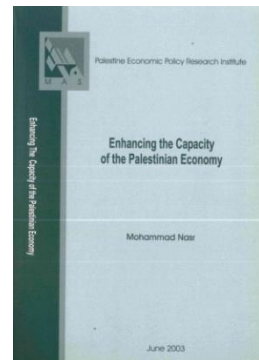


### **Enhancing the Capacity of the Palestinian Economy**

**By Mohammad Nasr**

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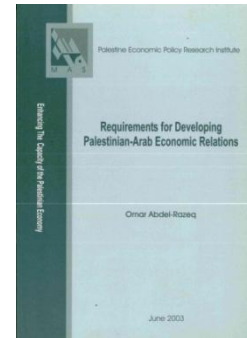
The previous study illustrated the characteristics of Palestinian economic distortions, both those caused by the Israeli occupation and others that developed during Palestinian self rule due to the lack of a developmental vision. This paper will therefore focus on the impact of Israeli measures following the outbreak of Al-Aqsa Intifada in September, 2000. It also aims to investigate means to enhance the capacity of the Palestinian economy and provide suggestions for short and medium term strategies capable of enhancing the capacity of the Palestinian economy to support the Palestinian people and lay the foundations for sustained economic development vital for establishing a viable Palestinian state.





## Requirements for Development of Palestinian- Arab Economic Relations

*By Omar Abdel-Razeq*



This part of the research project aims to provide a practical framework for the development of Palestinian-Arab economic and trade relations that will benefit all the relevant parties.

It is hoped that this will assist in achieving the following strategy:

1. Enhance the ability of the Palestinian economy to support survival, reduce the impact of Israeli policies, and accelerate the end of occupation.
2. Reduce Palestinian economic dependence on the Israeli economy and rectify the distortions that have plagued the Palestinian economy as a result of this dependency.
3. Develop Palestinian-Arab economic and trade relations.

If these goals were to be achieved, it would mark an important step towards sustainable Palestinian development and the ability to counter Israeli policies and measures. The Palestinian economy would return to its origins rooted in the region - the Arab economies. This step needs to take place irrespective of calculations of immediate material gains or losses that may result from the redistribution effects of integration since the integration of the Palestinian economy into the greater Arab economy is primarily based on national considerations and on long term economic interests.

It is assumed that Arabs and Palestinians are convinced of the importance and necessity of developing economic relations between them to achieve required integration. The study also assumes that Arab support for the Palestinians aims to strengthen the Palestinian economy (through development aid) and reduce the persistent problem of unemployment resulting from the Israeli policy of siege. Another assumption is that Israeli-Palestinian economic relations will continue to suffer as a result of Israeli hostilities, whether current conditions prevail or whether the situation reverts to pre-Intifada days. This third assumption means that Israel will continue to implement policies that deprive the Palestinian economy of the spread effects of the special economic arrangement with the Israeli economy.

Different stages of time are discussed in the study. There is the present stage in which the prevailing conditions, particularly the Israeli siege and aggressive acts against the Palestinians and their economy, continue. It is assumed that the main Palestinian goal at this stage is survival and economic and political perseverance. The second stage assumes the redeployment of Israeli troops to the positions they occupied prior to September 2000. It is assumed that multi-purpose negotiations between Palestinians and Israelis will be conducted at this stage, as was the case prior to the Intifada. We also assume that the negotiations will oscillate between Israeli stubbornness and Palestinian hopes of American pressure on Israel to concede to some Palestinian rights. Palestinian economic strategy at this stage would be assumed to concentrate on correcting distortions in the Palestinian economy by strengthening the Palestinian economy and developing Palestinian-Arab economic relations. This second stage should last until the establishment of a viable, independent Palestinian state.





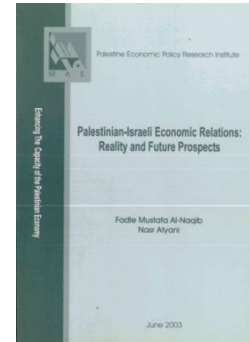
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## ***Palestinian-Israeli Economic Relations: Reality and Future Prospects***

*By Fadle Al-Naqib and Nasr Atyani*

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This part of the research project explores three themes related to economic relations between Israel and the Palestinian Territories. The first theme analyzes economic relations between the two parties prior to and following the peace process. The second examines the economic consequences of imposed unilateral separation by Israel. The third explores the prospects for future relations reached through negotiations.



## **Summary of Discussions**

### **Dr. Salam Fayyad, Minister of Finance:**

#### ***PNA is implementing administrative and financial reform***

An evaluation of PNA enterprises is only the beginning and there will be an end to PNA monopolies, especially in cement and petroleum trade. The seriousness of the current economic situation is shown in the halving of GDP in the third quarter of 2000. Medium and long term challenges require various methods of intervention. The role of the private sector is important, especially in creating jobs and absorbing the growing Palestinian labor force, and its survival despite existing adversities is extraordinary. There is a social dimension to economic development and the basic needs of deprived groups must be met to achieve social justice.

### **Maher Al-Masri, Minister of National Economy:**

#### ***Donor support falls short of needs***

Assistance to the Palestinian private sector falls short of Palestinian needs and should be expanded. The package of economic laws should be enacted and optimal use made of trade agreements with other countries. Relations with Arab countries should not be overestimated since pan-Arab relationships still face difficulties and there are unresolved issues, mainly pertaining to certificates of origin, that continue to impede progress. Few Arab countries complied with Arab summit decisions to exempt Palestinian goods from taxes and tariffs and some Arab markets are still practically closed to Palestinian commodities. The PNA is coordinating with the Palestinian private sector to gain access to Arab markets and economic agreements on free trade with the European Union and United States need to be implemented. A National Task Force comprising related ministries, the private sector, research institutes and economists will elaborate appropriate economic strategy and policies and will be responsible for identifying priorities in Palestinian trade with the outside world. Economic and trade relations with Israel cannot be viewed as a customs union since politics overcome economics yet the



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need to utilize Israeli market opportunities, particularly in labor, technology and financial transfers, cannot be ignored.

**Dr. Nabil Kassis, Minister of Planning:**  
*PNA has major tasks to achieve development*

The major tasks to achieve development are by encouraging an appropriate environment for the private sector, taking the initiative in drafting legislation, opening international markets up to Palestinian products, and trade agreements that build on the Paris Protocol while understanding its shortcomings and being well prepared for all aspects of negotiations. In addition to its limitations, the Protocol was not applied in keeping with its spirit. It is difficult to discuss enhancing the capacity of the Palestinian economy while it is fully controlled by Israel.

**Jamal Shobaki, Minister for Local Affairs:**  
*Israeli occupation is responsible for the deterioration of the Palestinian economy and the PNA is doing its best to improve the dire living conditions*

Israeli occupation policies and practices are mainly responsible for the structural distortions plaguing the Palestinian economy. The fact that these policies continued after the peace process, as well as shortcomings on the part of the PNA through its lack of strategies to rectify inherited distortions, further exacerbated the problems. However, this should not veil the accomplishments achieved by the Palestinian economy during the short period when the PNA enjoyed limited authority. The economy witnessed growth with an increase in real GDP and GDP per capita; some sectors like construction and tourism showed substantial growth; deposit and credit facilities increased; tax revenues also increased and unemployment fell until the Al-Aqsa Intifada in September 2000. PNA efforts, along with Arab, Islamic and international support, have prevented the total collapse of the Palestinian economy. The authorities issued a statement declaring their intention to work intensively on economic issues to improve living conditions, especially for the unemployed and poor, and also promised to establish a comprehensive developmental plan focusing on the economic sector and financial and administrative reform.

**Mohammad Zuhdi Nashashibi, member of the PLO Executive Committee:**  
*The banking system failed to finance Palestinian economic development or the private sector*

The current unilateral customs union with Israel is an arrangement imposed on the PNA and it is questionable whether development can be achieved while markets are closed, flooded by imported goods, and workers are unemployed. Palestinian markets need to be protected and a council formulated to promote exports. The performance of the banking sector with regard to financing productive sectors has been poor.



**Yahia Yakhluf, Minister of Culture:**

*Culture is central to development*

Cultural values motivate production, creativity and civil service and are vital for development and capacity building.

**Dr. Azmi Shuaibi, Head of PLC Economic Committee:**

*Developmental vision and coordination between public, private, and civil sectors necessary for economic revival*

The struggle to end the Israeli occupation on one hand and state building and reconstruction on the other requires high level discussion and the implementation of the following conditions:

- First,** a flexible, diverse and adaptable economic program set within a comprehensive vision that complements emergency relief to the widest range of society via a fair distribution of burdens.
- Second,** efficient professional institutions based on private and civil society participation in decision-making.
- Third,** adopt legislative policy that supports the main goals of the national developmental plan through partnership between the PLC (economic and financial committees), legal advisory and Legislate Council (Diwan El-Fatwa Wa El-Tashree'), and private sector institutions.
- Fourth,** devise economic policies that reconcile a market economy with ensuring the basic needs of the population, taking unemployment into consideration as a cornerstone of Palestinian developmental strategy.
- Fifth,** diversify Palestinian economic and trade relations and enhance cooperation with the outside world to liberate the Palestinian economy from dependency on Israel. Make optimal use of tax exemptions on Palestinian commodities in some Arab countries, although that might require a revision of the Paris Economic Agreement with Israel.
- Sixth,** the establishment of a favorable economic environment for a viable Palestinian economy may require government intervention providing incentives and possible guarantees for the local and expatriate private sector and by providing an environment conducive to investment in addition to the following:
  - a Liberate the budget from the burden of huge public employment, increase government capital and development expenditures, and invest in education and health.
  - b Halt all public intervention in commercial activities, public competition with the private sector, and the involvement of civil servants in private business.
  - c Confront at community level the phenomenon of favoritism and nepotism in public institutions, especially relating to the economy.
  - d Make optimal use of loans and grants in support of the aforementioned national economic plan.





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**Seventh**, an effective Legislative Council whose members have a wide range of qualifications and which is capable of fulfilling its role as a legislative and supervisory body is essential. This requires a newly-elected PLC since the current PLC was elected in 1996.

**Abdul Jawad Saleh, PLC member:**

*Arab goods compete with Palestinian goods in WBGS markets*

Why should Arab goods be allowed to compete with locally-produced equivalents in local markets despite the higher quality of Palestinian goods? This policy must have repercussions on Palestinian production.

**Rawiya Shawa, Businesswoman and PLC member:**

*Public performance versus the impediments imposed on Palestinian economic sectors*

The Palestinian economy needs to be liberated from its dependence on the Israeli economy by diversifying trade relations and promoting direct imports from other sources. The Palestinian community also needs to be transformed from a consumer society to a productive and competitive one. A revival of the legislative and supervisory role of the PLC is very important. The banking sector has played a limited role in financing trade and production and banking conditions and credit facilities should be reviewed. The Paris Economic Protocol and other economic agreements between the PNA and Arab countries need to be reviewed to guarantee incentives and full reciprocity between Arab and Palestinian economies. The Ministry of National Economy should make a full assessment of the performance of various economic sectors, implement legislation that protects the private sector and encourages investment, and review the performance of trade through borders. The PNA should ensure a supportive environment for the private sector, limit public monopolies, open new markets for Palestinian commodities, review the tax system in view of current developments and requirements, attract foreign investment to the Palestinian economy and support economic sectors most damaged by Israeli aggression.

**Kamal Hassouneh, Businessman and MAS BOT member:**

*Palestine possesses competitive advantages and the private sector has proved capable of survival*

The enhancement of the Palestinian economy depends on the restructuring of distortions caused by the Israeli occupation. Ending public monopolies of some strategic commodities is a major factor. The Palestinian private sector has proved itself capable of survival despite difficulties. Palestine has significant competitive advantages, mainly the availability of raw materials capable of competing with imported equivalents. Studies conducted by the Arab Cement Company show that elements used in the cement industry like clay and limestone are available in commercial quantities. The Dead Sea is also rich with minerals for use in certain chemical industries, paints, medicines and other drugs. Palestine also has a number of tourist sites. There is a wealth of experienced and productive human resources with a wide middle class



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and Palestine does not so far suffer from the burden of public external debt. These advantages should be developed to enhance the capacity of the Palestinian economy.

**Mazen Sunukrut, Businessman and Head of Palestine Federation of Industries:**

*Cooperation between public and private sectors essential. Insufficient efforts by PNA to improve economic and trade cooperation with Arab countries.*

The Palestinian public sector had huge financial and human resources for growth and development that were not optimally utilized due to the lack of a clear strategy and work plans. Reform has consistently been demanded and should not be limited to financial reform or issues of accountability and transparency, but should extend to planning and the formulation of appropriate developmental policies. The private sector is viewing closely efforts at financial and administrative reform, especially prompt submission of the public budget and the establishment of the Unified Investment Fund to monitor public investment, including putting the General Petroleum Corporation and Palestinian Tobacco Authority under the control of the Ministry of Finance. While these are important steps, they are insufficient and further measures must be taken to end public monopolies and establish real partnership between the public and private sectors in the decision-making process. There needs to be better developmental planning, subsidies to productive sectors, and improved cooperation with Arab countries to implement summit decisions. There should be greater participation by the private sector in formulating and negotiating economic and trade agreements.

**Mohammad Masrouji, Chairman of Palestinian Businessmen Association:**

*Revival of Palestinian economy is shared responsibility of public and private sectors under the rule of law*

Those who have lived under occupation for over 36 years and established successful businesses despite an adverse environment are in a good position to contribute to enhancing the capacity of the Palestinian economy with support from the PNA and expatriate investors. However, this requires serious reform in the public sector based on transparency and accountability, the rule of law, equal opportunities, reform in the judicial system with faster implementation of judgments, administrative and financial reforms, and the appointment of appropriate personnel. The authorities hold responsibility for subsidising productive and services sector, particularly industry, agriculture and tourism, to enhance capacity and enable these sectors to adapt to international changes. The government should also support the access of Palestinian goods into Arab and international markets through appropriate financial, tax and credit policies as well as energy and water pricing. The private sector plays a vital role through improving production quality, maintaining Palestinian and international standards and specifications, supporting research and development, ensuring training to improve productivity, and contributing to the establishment of an emergency fund.

**Munib El-Masri, Businessman and MAS BOT member:**

*Private sector experience in survival qualifies it for vital role in economic growth and development*



The Palestinian private sector has developed a high level of adaptability and the ability to survive. It has high caliber personnel who have contributed to the establishment and development of many Arab economies as well as investment experience. The financial, banking, industrial, agricultural, construction, and tourism sectors have a significant role in economic development. In the financial and banking sector, there is consensus on the need to expand banking operations, provide varied services to clients and expand credit facilities. Small commercial banks could be merged and specialized banks such as investment banks established. The capital market could be developed to attract external finances in contributions to the capital or as deferred loans. In the industrial sector, the local market is too small to depend on and therefore greater efforts must be made to gain access for Palestinian products in regional and international markets. This requires public subsidies to the industrial sector, quality improvement, development of trade relations and international partners for marketing. The agricultural sector possesses many advantages compared to neighboring Arab countries due to the high skills available as well as absorption of new technology but further development and improved technologies could increase yields. The sector is characterized by its high labor absorptive capacity and contribution to GNI but requires support such as the establishment of an agricultural investment bank, access for Palestinian agricultural products in Arab and international markets, and the establishment of an emergency fund to counter political and natural risks. The tourism sector faces enormous difficulties caused by Israeli closures which have forced many businesses to close. The relevant ministries should cooperate with the Palestine Monetary Authority to study the status of the tourism sector and devise assistance programs. Confidence between the public and private sectors could be built through the participation of private sector representatives in high level economic decision-making. A national economic council should be established to take over responsibility for planning and the periodic review of public expenditure priorities.

**Dr. Farouk Zueiter, Businessman:**

*Private sector participation in formulating developmental plans through national economic council essential*

The private sector should participate in devising developmental plans through the establishment of an economic council for planning and follow-up. Culture and education have a major role in human development and the enhancement of national capacity.

**Sameer Huleileh, Businessman:**

*Palestinian-Israeli economic relations are competitive and not conflicting; Palestinian-Arab economic relations are still marginal and stumble with obstacles*

The major impediments for the Palestinian economy are the chronic dependency on the Israeli economy, the restrictions on mobility of persons and goods, and internal obstacles such as the absence of Palestinian legislation to determine the role and extent of public contribution and intervention in economic activities and with the private sector. Despite Palestinian attempts to break this dependency, Israeli measures at every level blocked development of the Palestinian economy or any normal relationship with Israel or neighboring countries. Israeli closures in



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Palestinian self rule areas since 1994 have hampered the import of foreign goods under the pretext of security. Arab markets present serious barriers to Palestinian goods, particularly Egypt and Jordan where Palestinian businessmen face serious entry difficulties even for transit purposes. Palestinians are also banned from entry into Kuwait, Syria and Lebanon due to the fact that these countries do not recognize the PNA or certificates of origin issued by it. While Israel continues to subjugate and destroy the Palestinian economy, Arab countries are insufficiently supportive and do not uniformly implement Arab summit decisions to waive taxes on Palestinian goods. The two important conditions indispensable for public reform are an independent judiciary with real powers and legislation relating to public monopolies and banning civil servants from business activities. It is important to hold elections in private sector institutions such as industrial unions and chambers of commerce.

**Dr. Sameer Abdalla, ABC Director**

*Attention should be given to channels of influence and effect in Palestinian-Israeli economic relations*

Channels of influence and effect should be examined when dealing with relations between the Palestinian and Israeli economies. For instance, Israeli military rule turned into civil administration and was a channel of influence towards the marginalization of the Palestinian economy. Also, the open market and demand and supply factors had obvious effects on Palestinian industries, causing some to expand and others to close down.

**Hana' Daoudi, UNCTAD:**

*The urgency of devising long-term economic strategies*

Long-term Palestinian economic strategies need to be devised in light of the features and characteristics of the Palestinian economy before looking at the nature of economic relations with Israel. This would provide a base for managing the relationship in the interests of the Palestinian economy. The chances for Palestinian industries to survive competition in the absence of a serious Palestinian strategy of support are doubtful.

**Wedad Ahmad, Ministry of National Economy:**

*Need to stop flooding Palestinian markets with Israeli commodities*

Local markets are flooded with subsidized Israeli products and low quality products from other countries, inflicting damage amounting to millions of dollars on the national economy.

**Azmi Khawaja:**

*All Palestinian problems cannot be blamed on the Israeli occupation*

Although the Israeli occupation is the principal cause of Palestinian economic decline, the Palestinian public and private sectors must stop considering Israel as the only party responsible for all problems. Palestinian economic performance is poor and whatever small opportunities



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are available to create a formula capable of achieving growth and development despite adversities must be grasped.

**Ghazi Surani, economic expert:**

*Palestinian-Israeli economic relations must be reviewed to enhance the capacity of the Palestinian economy*

Palestinian economic problems relate to the entire economic system which has shaken the confidence of the private sector and expatriate investors and contributed to the absence of a positive role for the public sector. Palestinian human and material resources should be mapped and plans devised that will enable adequate balanced growth. The Paris Economic Protocol imposed difficulties on the Palestinian economy and during 1994-2000 living conditions deteriorated to half the level of 1993 and real income fell by 25%. Poverty rose to 37.3% of the population in the Gaza Strip in 1999 and these rates surged again during the Intifada to unprecedented levels due to Israeli policies and other internal factors pertaining to Palestinian policies and corruption. The repercussions are apparent in the current situation with Israel as the major Palestinian trade partner, with over 80 trade agencies for Israeli companies in the Palestinian Territories. All these agencies market goods that have substitutes in Egypt and Jordan. Moreover, 86% of Palestinian imports come from Israel and only 1% from both Egypt and Jordan. The customs union and free trade area with Israel should be rejected in any future relations before restructuring the Palestinian economy. Means to integrate the West Bank and Gaza Strip and to integrate them with the Arab economies need to be investigated to enhance the capacity of the Palestinian economy and minimize its dependency on Israel. The trade deficit must be tackled and the industrial sector should start production of consumer goods that will gradually substitute those of Israel and lay the foundations for an independent Palestinian economy.

**Dr. Ghabi Baramki, Consultant, Ministry of Education & Higher Education**  
*Boycott of Israeli goods with Palestinian substitutes is a national duty*

The recommendations of the research papers are important and should be put into practice rather than ignored. The PNA should adopt clear public policies to promote national products and ensure competitive high quality products via the Standards and Specification Institution.

**Dr. Rami El-Hamdalla, President, AlNajah National University:**  
*Education plays a central role in human development*

Education plays a significant role in human development and is the core of development. Palestine has high labor force growth; annual growth is 5.9% in the West Bank and 4% in the Gaza Strip. MAS studies confirm the low absorptive capacity of the local labor market, deepening dependency on the Israeli labor market and raising unemployment rates. Job creation is a major challenge for the PNA and overrides other traditional economic goals like improving living conditions. Education is vital to enhance the capacity of the Palestinian economy since studies showed that an increase in the educational level of the labor force by one year in some Asian and Latin American countries increased growth in GDP by three to five percent. Studies have also shown that one of the main reasons for the success of developmental strategies of South Korea and modern industrial countries lies in the development of human resources.





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Therefore, the challenge facing Palestinian educational institutions is to produce a qualified labor force that will contribute to the competitive advantage of the Palestinian economy and match labor market requirements. Higher education and vocational training must be encouraged, talented students sponsored, and applied scientific research revived.

**Dr. Tafeeda Jirbawi, Director, UNRWA Teachers College, Tيره:**

*Vocational and technical education will develop the private sector and minimize unemployment*

Vocational and technical education should be given special attention since a large proportion of Palestinian students study specializations at university regardless of labor market requirements, aggravating unemployment. There are 20 vocational and technical community colleges absorbing only six percent of higher education students while 94% of students are enrolled in 11 universities, 45% of them in Al Quds Open University. The civil service law and public employment policy and pay scales have had a negative effect and fail to give incentives to vocational and technical graduates.

**Dr. Mustapha Barghouti, Coordinator of Palestinian Initiative and Director of Health, Development, Information & Policy Institute (HDIP):**

*Unified economic leadership is essential*

Facts on the ground increasingly prove the need for unified economic and political leadership. Diversity in economic decision-making and the absence of a unified economic vision restrict development. The main challenges are to improve education, raise productivity, and improve the legal environment and rule of law.

**Dr. Ali Jirbawi, Executive Director of the Central Elections Committee:**

*There are no indications that current reforms are bringing forth a new stage*

Palestinian economic performance during the transitional period was poor and there are doubts about announcements that the Palestinian economy is on the threshold of a new stage. Practical measures taken by the government so far regarding the rule of law, the implementation of legislation, the establishment of an independent judiciary system, improvements to public administration, and the identification of priorities have yet to prove their worth.