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# Israeli Economic Policy in the Occupied Areas: Foundations of a New Imperialism

By Sheila Ryan

June 1967 marked the beginning of the end of Israel as a unique venture in colonialism. Within a few years, economic relations with the Arab territories seized in the June War recast Israel in the classical configurations of a colonial power. Moving rapidly away from its own tradition, which was distinct from every other colonial project generated in Europe or North America, Israel now shares with a number of other advanced capitalist countries the characteristic of imperialism, a drive for profits in the non-industrialized world. Israel, like other colonial powers, profits by opening up new markets for its manufactured goods, by extracting raw materials from the dependent areas, and by severely exploiting the labor power of the indigenous people.

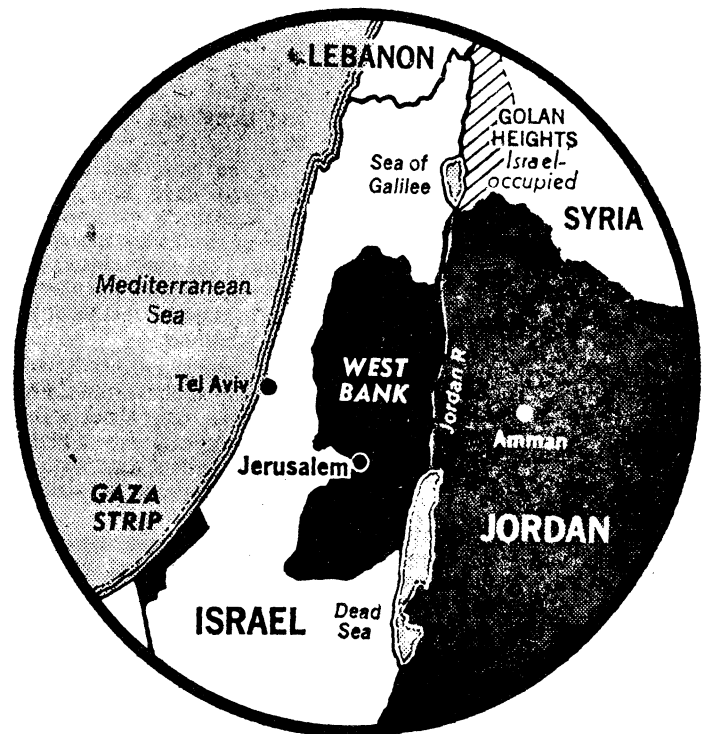
## THE UNIQUE COLONIALISM OF ZIONISM BEFORE 1967

The British farmers of Rhodesia, the French rubber planters of Indochina and the colons in Algeria appropriated vast tracts of land and relied upon underpaid "native" labor to perform the work and make their colonization profitable. After the First World War, however, the Zionist settlers in Palestine adopted a deliberate policy of refusal to hire the "native" Arab agricultural workers and of employing instead immigrant Jewish labor. This racist restriction against Palestinian Arab workers was incorporated into the constitution of the Jewish Agency, the colonizing organization, in a clause which affirmed that:

The Agency shall promote agricultural colonization based on Jewish labor, and in all works or undertakings carried out or furthered by the Agency, it shall be deemed to be a matter of principle that Jewish labor shall be employed.<sup>1</sup>

The Jewish National Fund implemented this "matter of principle" by writing a clause into the leases it conferred on Jewish settlers requiring that "... the lessee undertake(s) to execute all works connected with the cultivation of the holding only with Jewish labor." For the first two offenses of employing Arab workers the J.N.F. imposed a fine of LP 10, and on the third offense took back the land.<sup>2</sup>

Other forms of settler colonialism have also refused to use the labor of the indigenous population. When the European settlers of the United States were unsuccessful in impressing the American Indians for agricultural work, they resorted instead to the importation of slaves from Africa, and massacred the indigenous population, driving its remnants into the reservations. Or again, in Australia the aboriginal population was not exploited for labor, but was virtually eliminated by the onslaught of British settlers.\* But in the cases of the United States and Australia, and



in many other bloody instances of genocide and uprooting which punctuate the history of Western colonialism, the profitability of the colonies demanded that the settlers not employ indigenous labor, because the resistance of the local people or some other factor made their adaptation to the role of slave or employee too expensive or utterly unfeasible.

Zionism is distinguished by its refusal to use "native" labor in Palestine when it was more profitable to employ the Arab, not the immigrant, laborers. The Palestinian *fellaheen* were experienced farmers, unlike most of the immigrants from urban Europe, and they could be hired at lower wages. For these reasons, the plantations of the Palestine Jewish Colonization Association (P.I.C.A.), which were supported by the philanthropy of Baron Edmond de

\* During his long career, Lord Balfour, author of the famous Declaration which promised British sponsorship of a Jewish National Home in Palestine, also had a hand in the affairs of Australia and South Africa. For Balfour, the fact the Australian aborigines had "died out" was a convenient phenomenon which, he stated, "even if I am charged with inhumanity, I cannot find it in my heart to regret it."<sup>3</sup>

Rothschild since 1882, had employed practically all Arab workers until the 1920's. These P.I.C.A. plantations were persuaded to employ Jews instead of Arabs only by great pressure from the General Federation of Jewish Labor, whose agitation reached the point of requiring police intervention on at least one occasion, and by the systematic policy of the Jewish Agency in establishing colonies of laborers adjacent to the P.I.C.A. plantations and insisting on their employment. In 1930, an arm of the Jewish Agency declared that "the transfer of Jewish laborers into the old villages [P.I.C.A. plantations] has been a source of constant care of the Zionist executive, which has latterly succeeded in placing approximately 6,500 workers in these centres. . ."<sup>4</sup>

Zionism's reasons for flouting the profit principle in employment were astute and political. Decades later David Ben-Gurion would write that "the reason Hebrew labor [that is, the boycott of Arab labor] won out during the Second Aliya and Mandate period is that every loyal Zionist understood that without Jewish labor there would be no Jewish state."<sup>5</sup> Only by excluding Palestinian Arab workers from employment on land acquired by the Jewish National Fund and from enterprises owned by Zionists could jobs be created for new Jewish immigrants; and only by preventing competition from Arab workers could an artificially high standard of living be maintained for Jewish workers -- a standard of living necessary to attract and keep immigrants used to European levels of consumption. (In 1936, for example, the per capita income of Jews in Palestine was LP 44, and that of "non-Jews excluding British persons in the army and government," in effect that of Arabs, was only LP 17.)<sup>6\*</sup>

Building toward the Jewish state demographically required the slogan of "Jewish labor" and its correlative, "Jewish product," which advocated boycotting the less expensive Arab products in favor of those produced by Jews. In fact, the Jewish population in Palestine generally adhered to both of these demands, though the prices on the Jewish market were about one-third higher than those on the Arab market.<sup>7</sup> These economic patterns can be attributed only to long-range political motivation, and especially to the belief that, as one Zionist land expert wrote, "in the struggle of nationalities, the final victory went to those who lived and worked on the land."<sup>8</sup>

These political aspirations could be indulged only because the colonization of Palestine, and in particular the agriculture, was so heavily subsidized. In addition to private philanthropic projects, by 1930 the Zionist Organization had spent nearly L 5 million on agricultural colonization, a sum which a Zionist survey called "lavish," commenting, "it is certain that no adequate interest in the form of rent could be paid by the settlers on the outlay of the [Jewish National] Fund on their holding."<sup>9</sup>

It was for reasons of political strategy rather than immediate profit, then, that Zionism, after displacing a considerable fraction of the Palestinian peasantry from their land, excluded them even from employment on it. Driven from their farms into the cities, the *fellaheen* found

\* The Palestinian pound was equivalent to the British pound, worth at this time about US \$ 5.

that in the urban centers as well the settlers were displacing the traditional Arab economy and were refusing to hire Palestinian Arab labor. Thousands of Zionist settlers were flocking to the towns and cities rather than to the farms, and setting up businesses with capital and skills brought from Europe. The British Mandate protected their infant industries with a favorable tariff structure, and a distinct Zionist economy, which usually refused to employ Arab workers, grew up in urban as well as rural Palestine. A report to the British government in 1930 remarked that

. . . there is at the present time serious unemployment among Arab craftsmen and among Arab laborers. For this unemployment there are several causes. Motor transport, largely in the hands of the Jews, is driving the camel and the donkey off the roads, and with them the Arab camel-driver and the Arab donkey-man. The motor-car again largely owned by Jews, is displacing the horsedrawn vehicle and its Arab driver. The increased use of cement, reinforced concrete and silicate brick, all manufactured by Jews, is replacing stone for constructional purposes, and so displacing a large number of stonemasons and stonemasons, nearly all of whom are Arabs. The Arab quarrymen are also being displaced.<sup>10</sup>

The ultimate exclusion came in 1947-48, when 90 percent of the Arab population of that part of Palestine which became Israel were driven out to make room for the Jewish state. During the Mandate period the political strategy of excluding the Palestinian Arabs from the Zionist economy had immediate economic disadvantages for the settlers; with the establishment of the state of Israel, however, the political strategy of physically excluding most of the Palestinians from the Zionist area had enormously advantageous economic consequences. The property the refugees left behind, and in many instances the property of Palestinians who were able to remain in Israel,<sup>11</sup> was classified as "abandoned" and confiscated by the Israeli government. Don Peretz wrote that

Abandoned property was one of the greatest contributions toward making Israel a viable state. . . Of the 370 new Jewish settlements established between 1948 and the beginning of 1953, 350 were on absentee property. In 1954, more than one-third of Israel's Jewish population lived on absentee property and nearly one-third of the new immigrants (250,000 people) settled in urban areas abandoned by Arabs. They [the Palestinian refugees] left whole cities like Jaffa, Acre, Lydda, Ramleh, Beisan, Midgal-Gad: 388 towns and villages and large parts of 94 other cities and towns, containing nearly a quarter of all the buildings in Israel. 10,000 shops, businesses and stores were left in Jewish hands. . . In 1951-1952, Arab [citrus] groves produced one and a quarter million boxes of fruit, of which 400,000 were exported. Arab fruit sent abroad provided nearly 10 percent of the country's foreign currency earnings from exports in 1951. In 1949, the olive produce from abandoned Arab groves was Israel's third largest export, ranking after citrus and diamonds. . . 20,000 dunams [a dunam is .23 acres] of absentee property were leased by the Custodian [of Absentee Property] in 1952 for industrial purposes. A third of Israel's stone production was supplied by 52 Arab quarries under his jurisdiction.<sup>12</sup>

It was little wonder, given the economic importance of the refugees' property to Israel, that economics was one of the reasons advanced for refusing to allow them to re-

turn. In August 1948, as Israelis were taking over the orchards, settling into the homes, and even cooking in the very pots which the Palestinians had been forced to leave behind, Moshe Shertock, who was then the Foreign Minister of Israel, wrote to the U.N. mediator, Count Bernadotte, that the Palestinian Arab refugees would not be allowed to return, for reasons including that

on the economic side, the reintegration of the returning Arabs into normal life, and even their mere sustenance, would present an insuperable problem. The difficulties of accommodation, employment, and ordinary livelihood would be insuperable.<sup>13</sup>

During the first few years of the state of Israel, before the seriousness of the Arab boycott and of the refusal of the Arab states to agree to peaceful relations with Israel became apparent, a critical political-economic issue arose for the Zionists. The economy of their colony in Palestine and of the newly-created state had been based on the economic exclusion of the Palestinian Arabs, and Israel would have to choose between continuing along the path of economic isolation from the Arab people, or taking the more usual colonial route which some of its leaders were advocating.

*Fortune* magazine reported in 1950 that Chaim Weizmann, Israel's first president, "talks of Israel's becoming 'the new Switzerland, supplying consumer goods to the untapped markets of the Middle East.'" <sup>14</sup> An excellent climate for the export of manufactured goods to Middle Eastern countries was forecast on the basis that

Many of the Jews who have made their way to Israel are highly skilled workers: with modern equipment and production methods they are confident they can apply their skills to low-cost raw materials and produce such exportable items as precision instruments, textiles, metals and chemicals. American firms based in Israel will be able to sell in the soft currency countries of Europe and the Middle East and from tourist and export trade Israel expects to earn enough hard dollars so U.S. investors can take out their annual ten percent.<sup>15</sup>

Predictions of this sort attracted a rush of British, Dutch, South African and particularly American capital to Israel, investments which were made "not. . . out of compassion but in the expectation of profits."<sup>16</sup> Within two years of the establishment of the state, a number of major American corporations had joined with Israeli capital to establish the first large-scale manufacturing in the Middle East.<sup>17</sup> General Tire and Rubber had erected a \$2 million plant near Haifa, and Kaiser-Frazer a \$2 1/2 million plant near Acre. Philco was planning to produce refrigerators near Tel Aviv and General Shoe was opening a plant in Jerusalem. Moller-Dee Textile Corporation had issued \$2 1/2 million in stock to finance spinning and weaving operations in Israel.<sup>18</sup>

This vision of Israel's economic potential could not be fulfilled as long as the Arab boycott was in effect (and it became gradually clear that the boycott might last until peace was formally established), but it had a profound impact on the shape of the future peace of which some Israelis began

to speak. In a speech to the U.N. in 1952, Abba Eban depicted the pattern of trade which would evolve if the Arab boycott were lifted and peace established: raw materials from the Arab countries -- agricultural produce from Syria, Lebanon and Jordan, meat from Iraq and cotton from Egypt -- would be shipped to Israel, which in turn would export manufactured goods to the Arab countries.<sup>19</sup> This exchange of manufactured goods for raw materials is, of course, the typical pattern of trade between the metropolitan and colonized country, a pattern which over the last two hundred years has been a major factor in the underdevelopment and poverty of the majority of the people of the earth. Abba Eban was calling for a new repetition of this old pattern in the Middle East when he declared that Israel aspired to a relationship with its Arab neighbors "akin to the relationship between the United States and the Latin American continent."<sup>20</sup>

The Arab boycott, however, prevented this neo-colonial dream from even partial realization until 1967.<sup>21</sup> During the Mandate period the Zionists, unwilling for racist political reasons to exploit Arab labor, had to sustain themselves on subsidies from abroad. After the establishment of the state, the Arab boycott cut off the lucrative markets to which Israel would have turned willingly, and again, Zionism had to resort to massive infusions of foreign capital to grow, and indeed, even to survive. A World Bank mission which studied the Israeli economy in 1968 found that Israeli economic achievements

were largely the result of two factors: a capable and determined population with a broad base of well-educated and energetic people who proved able to overcome the difficulties of economic development with great ingenuity; and a relatively large and continuous flow of foreign capital originating chiefly from private donations of American Jews and from reparations payments by West Germany. Israel's 'economic miracle' would have been impossible if one these growth factors -- human skill and foreign capital -- had been lacking.<sup>22</sup>

Investment accounted for only one-eighth of the capital imported between 1950 and 1967; most of the capital imports were gifts.<sup>23</sup> One economist reckoned that in the 21 years after the founding of the state, only 30 percent of the massive Israeli import surplus of \$2,650 per inhabitant had been supplied "under conditions which call for a return outflow of dividends, interest or capital."<sup>24</sup>

The greatest benefactor of Israel has been world Jewry, which between 1949 and 1965 financed nearly 60 percent of the Israeli import surplus.<sup>25</sup> Most of this money came from the US -- 80 percent of State of Israel Bonds, for example, are sold in the US<sup>26</sup> -- and thus represents an indirect gift from the US government \* which allows tax exemptions on donations to Israel. The second greatest source of foreign capital was West Germany, which paid \$1,736,700,000 to the Israeli government and residents between 1949 and 1965 for reparations and restitutions, thus financing about 29 percent of the Israeli import surplus.<sup>28</sup>

\* But a gift with strings attached, for Israel was expected to serve US interests in the Middle East. For a perceptive analysis of the connection between foreign aid and Israel's political role, see the essay "The Class Character of Israeli Society" by Moshe Machover and Akiva Orr.<sup>27</sup>



The import of foreign capital was crucial not only to the growth of the Israeli economy during this period, but even to its maintenance: David Horowitz, a prominent Israeli government economist, admits that in Israel's first twenty years, "the import of capital financed not only investment, but also, to a considerable extent, consumption."<sup>29</sup> Direct US government aid increased total Israeli resources by 9 to 11 percent during 1955-1960, and raised private consumption by 12 to 13 percent. In this period the imports of surplus food under the P.L. 480 Title 1 program in themselves permitted investments which produced a permanent increase of 2 percent in the Israeli gross national product.<sup>30</sup>

The US government has made a dramatic increase since the June War in the already munificent amount of aid it had been giving Israel. Nixon's administration boasts that it has sent more aid to Israel in four years than the total amount issued by all previous administrations combined: until 1968 the grand total for US aid to Israel was \$1,174 million in grants, loans and military and economic aid over a twenty year period; in the four years between 1968 and 1972, Nixon dispatched \$1,182 million in aid to Israel.<sup>31</sup> By mid-1973 Israel had received the staggering sum of over \$8 billion in economic assistance from various foreign sources since the beginning of the state, or \$3,500 total for each Israeli<sup>32</sup> -- an average of \$233 per year per capita in aid. Thus an average Israeli each year received in aid alone more than double the per capita income of an Egyptian (\$102 in 1969).

### ISRAEL'S ECONOMIC QUANDARY

Israel's unique colonial tradition of survival by subsidy has produced a strange economic structure and a profound balance of payments deficit. For despite an enormous amount of outright gifts from abroad, Israel's strategic requirements of an artificially high standard of living for its population and expensive imported equipment for its army incur a balance of payments deficit of about a billion and a half dollars annually. Israel imported goods and services worth \$3 billion in 1972 and exported only a billion and a half dollars worth. The foreign debt amounts to \$1,000 per citizen, and nearly 10 percent of the Israeli GNP is needed annually just to service the debt.<sup>33</sup>

Israel has campaigned assiduously for assistance from abroad, but dislikes the deficit, debts and dependence which have ensued. Thus a major Israeli economic goal is toward "economic independence," to be achieved by increasing exports.<sup>34</sup> However, Israel has two serious and interrelated problems with exports: the type of products exported and the markets to which they are sent.

An Israeli economist wrote recently that "few people will disagree that expanding these [major] traditional exports is economically undesirable."<sup>35</sup> Citrus, which in 1950 composed 50% of Israeli merchandise exports now constitutes only about 15%. It is unlikely that citrus exports can be substantially increased at a reasonable profit, since the best land has already been planted and additional water is scarce.<sup>36</sup> Moreover, most Israeli fruit is exported to Europe and Great Britain, where it faces stiff competition from North African and Spanish citrus, produced at low

wages, an important competitive advantage in such a labor intensive industry, and transported a shorter distance to market.<sup>37</sup> Israeli exports of mining products such as phosphate and potash are so hampered by competition from other countries and high transportation costs to market that profits from their sale abroad "are becoming marginal and sometimes negative."<sup>38</sup>

Israel's exports of manufactured goods generally share the drawback of themselves requiring the import of raw materials for the production process. Polished diamonds, for example, Israel's largest export, are dependent on the import of rough diamonds from South Africa, and thus dependent on the strong DeBeers cartel which controls the rough diamond market. Moreover, the polished diamond industry is at the mercy of fluctuating world demand, which varies greatly according to global financial conditions; fluctuating demand is especially dangerous in an industry with low profits per unit and low value added.<sup>39</sup> Furthermore, Israeli polished diamonds are now a dominant factor on the world market, and are not expected to continue long at their present rate of growth,<sup>40</sup> particularly with increasing competition from countries such as India and Japan.<sup>41</sup>

Exports of other manufactured products on which Israel relied in the past -- paper, plywood, cement, tires and cotton yarn -- have grown very little in recent years, a RAND study observed, because "in all these cases, competition on the world market has been very fierce, partly with other developing countries . . . The most important factor in their past growth was the fact that they were promoted by artificial means such as bilateral trade agreements, very high effective exchange rates . . . and protective market sharing agreements on the domestic market. With time, this protection was mitigated." <sup>42</sup>

In general, Israel is making an effort to increase its exports of "science-based" industry. But the related problem of markets still persists. Israel has worked to expand its trade with nonindustrialized countries, especially in Africa, and has even given military aid to reactionary regimes -- counter-insurgency training to the armies of Chad and Ethiopia and paratroop instruction for the armies of Congo-Kinshasa, for example -- to foster economic relations.<sup>43</sup> Israel succeeded in finding a customer for its burgeoning arms industry in the Shah of Iran, and its Uzi sub-machine guns have been placed in the hands of Portuguese soldiers fighting colonial wars in southern Africa.

Israel is still forced to trade primarily with other advanced capitalist countries, however. 70% of Israel's exports are shipped to Western Europe and North America.<sup>44</sup> By the early Seventies, Israel's major trading partners in Europe and North America swung toward protectionism for their own industries, which argued poorly for any prospect of Israel basing its export economy on shipping manufactured goods to those countries. President Nixon imposed import surcharges in the United States, and the Common Market expanded. The expansion of the Common Market from six to nine nations was expected to increase trade among countries which are party to it to the disadvantage of those outside. Moreover, in its dealings with the Common Market

countries, Israel will have competition from developing countries which are allowed to ship manufactured and semi-manufactured goods into the Common Market duty-free.<sup>45</sup>

Israel, then, is caught in a quandary. In exporting raw materials -- agricultural and mining products -- to Europe it faces the physical limitations of resources in pre-1967 Israel and competition from other suppliers with lower wages and transportation costs. In exporting manufactured goods to its primary trading partners in Europe and North America, Israel faces competition from the industries of the advanced capitalist countries themselves and their protective tariffs. Furthermore, a RAND study declares that "the most natural markets for Israel would be the Arab countries."<sup>46</sup> But the Arab boycott has kept Israeli products from these "natural markets" for which Israeli leaders have long yearned. Also, the boycott has inhibited other forms of Israeli economic penetration of these Arab territories. As long as the boycott remains unbreached, Israel would have little hope of exporting enough to achieve the prosperous economic "independence" its leaders so desire. This dilemma is at the base of Israeli government policy in the occupied territories since the June war.

## ISRAELI DEBATE ON THE OCCUPIED AREAS

On the eve of the June war, Israel was cut off from her "natural markets" in the Arab countries, locked into a troubled relation with other advanced capitalist countries, and dependent on foreign subsidy for economic survival. After six days of war, Israel had more than tripled the area under its control and had a million Palestinian Arabs under its military jurisdiction. At last, after nineteen years of economic isolation from its Arab neighbors, Israel had an opportunity to break through the barriers of the Arab boycott by building economic relations with the conquered areas. But seizing that opportunity would require an abrupt break with the traditions on which Israel was built.

In the aftermath of the war, a furious debate raged in Israel on what policy to pursue in the newly occupied areas. With the exception of a small fraction of Israeli society -- those in Matspen and Rakah for example -- the debate was between those who look back to the exclusivism of the past and those who see forward to exploitation of the Arab people in the future.

To the traditionalists, the million new Arabs threaten to adulterate the "Jewishness" of the state of Israel and its culture. Some, like Finance Minister Pinhas Sapir, fear that if Israel tries to swallow the new territories, it will choke; on the other hand, they maintain that by withdrawing from at least the heavily populated portions of the Arab areas, Israel would be surrendering nothing, but rather "freeing itself of a burden."

Sapir is the foremost worrier about the "demographic problem";<sup>\*</sup> the realities of population statistics and fertility rates underlie his anxiety that if Israel were to annex the occupied areas, within ten or twenty years it would be a Jewish state "in name only."<sup>50</sup> A recent RAND study funded by the US Department of Defense described the "demographic nightmare" in these terms:

The differences in culture and basic social structure between the Arab and Jewish communities were reflected in their relative rates of natural increase. The Israeli Arab minority had doubled from 150,000 in 1948 to 300,000 in 1967, an implicit average annual rate of increase of 3.8%, whereas the natural rate for Jews had decreased from 2.6% in 1951 to 1.5% in 1967. On the seemingly reasonable expectation that a similar gap would characterize the relative natural rates of increase of Jews and West Bank-Gaza Arabs, it seemed clear that the Jewish majority which was already slim (60%)<sup>51</sup> would be turned into a minority in the foreseeable future. The only question appeared to be the exact date of the crossover point. What would then happen to the Jewish character of the state? <sup>52</sup>

A related concern of the traditionally-inclined exclusionists is the protection of the position and peculiar values of "Jewish labor" as a foundation of the Zionist economy. Their concern is intensified as the workers of the West Bank and Gaza in ever increasing numbers enter the most exploited sectors of the Israeli proletariat. The *Histadrut* Secretary-General Yitzhak Ben-Aharon shocked a meeting of the Labor Party Secretariat in February 1973 by asserting

I do not know whether the territories that we hold are bargaining cards or perhaps embers burning away our foundations.

... I am not at all sure that one of these days we will conclude that a certain portion of the population and certain sections of the country should not be under our control even without receiving a counter signature [on a peace treaty].

Without being an extreme Marxist, I must say that it's very sweet building Zionism with Arab labor, to build cities of the economy and enjoy it. We shall soon hear that anyone who says he does not want to get rich on the work of the Arabs from the territories questions the realization of Zionism and holds back redemption and development. <sup>53</sup>

"To sum up this issue," Ben-Aharon said, "Labour Zionism never assumed the possibility that the Jewish people in their own land would become a nation ruling over other nations." The very demands of Zionist development, he averred, were

\* There are other Israeli politicians worried about the demographic problem who are unwilling to withdraw from the occupied areas. Ben-Gurion, for example, proposes not to give up the conquered territory but to do vigorous battle on the reproductive front. Noting that if the Palestinian Arabs' natural rate of increase continues as it has been, in twenty years "the complete Land of Israel, not including Transjordan, will contain 3.5 million non-Jews," he comments, "And if the Jewish birthrate continues to decline as it has in previous years, the outcome for the state of Israel is not hard to imagine."<sup>47</sup> Therefore he urges that it be explained "to every Jewish woman capable of understanding the unique needs of a nation such as Israel that their prime obligation is to have at least four children, and, as far as possible, within eight to ten years after being married."<sup>48</sup> He suggests that "incentives" be offered in the form of special economic assistance to large families. Because the state would presumably be obliged to aid both Jews and Arabs, Ben-Gurion advocates that the matter be handed over to the Jewish Agency or some other organization which could assist only Jews.<sup>49</sup>

bound to create a disastrous situation if Arab labor continued to be employed on a large scale in Israel:

Our objective is to maintain a large economy, a large stream of immigration, and to develop our country. This objective necessitates tremendous efforts which will bring us serious crises. I fear to think about the first day of the crisis, with tens of thousands of Arabs working in our factories and manning our construction teams. All the morals and traditions of Judaism will not suffice us. Nothing done by these Arabs will be counted to their credit. They will remain strangers. They will remain the first to be dismissed.<sup>54</sup>

Sapir's "demographic nightmare" and Ben-Aharon's\* analysis that the flood of Palestinian Arab workers will submerge the special historical role of the Jewish proletariat in Israel have motivated a minority of Israelis to support withdrawal from heavily populated portions of the occupied areas. They are a small minority, however, and the inspiration stems from the racism of exclusion on which the Zionist colony was established.

To the traditionalists, the captured territories may be temptingly attractive, but their population is repellent. Levi Eshkol summed up their viewpoint by saying, "The dowry is gorgeous, but the bride is so homely."<sup>57</sup> The traditionalists who favor at least a partial withdrawal are prepared, in effect, to renounce the dowry with regret and call off the marriage. But there are others -- who also follow the tradition of exclusion of Arabs -- who would like to grab the dowry and send the bride away. Prominent among these annexationists is Yishrael Shaib-Eldad, formerly the "chief ideologue" of the Stern Gang, and now in a similar position with the Land of Israel Movement. The Land of Israel Movement, and in particular Eldad,

have openly hinted at the necessity for the departure of a significant group of Arabs from the occupied territories, with the justification that if Israel took in a million Jews from the Arab countries, the Arab countries should be willing to take in a similar number of Arabs.<sup>58</sup>

Another annexationist group is the Jewish Defense League, which in December 1972 took flamboyant if ineffectual action of its own to decrease the Palestinian Arab population of the occupied territories: the J.D.L. sent a circular to 700 Arabs on the West Bank offering to finance their emigration with a stipend of \$1,000 per emigrant.<sup>59</sup> The J.D.L. letter, written in Hebrew, declared to the Arab recipients:

\* Ben-Aharon's defense of the "basic values of labor Zionism" propelled him into a bitter debate with other members of his own Labor Party: the arguments revolved around the issues raised not only by Ben-Aharon's tentative advocacy of withdrawal, but also by his scathing attacks on the government for its postwar economic policies, which he maintained raised profits rather than wages, and created a class of new millionaires. (Israel now has about 200 citizens owning property worth IL one million—\$239,000—or more.<sup>55</sup>) Ben-Aharon declared, that "The existing social groups in this country are the result of conscious and willful policy, and not of accidents. . . . The current policy is one of establishing capitalism in Israel."<sup>56</sup>

One of the polarities in the debate on the occupied areas, it seems, is between those associated with the bureaucracy of the public and "labor" (Histadrut) sectors of the economy, like Ben-Aharon, who advocate the traditional racist values of exclusivism, and those connected with the rapidly growing private sector of capitalists who aspire to new opportunities for exploiting Arab and Jewish labor, and for entering into untapped Arab markets.

It is clear that the Jewish citizens of Israel will not be willing to indefinitely surrender any bit of the Land of Israel. There can be no retreat from those territories of the Land of Israel which were liberated in 1967. For this same reason, the continued presence of a growing and crystallizing minority of Arabs, even within the confines of the 'Green Line,' the borders of the 'Small [pre-1967 war] Israel' constitutes a danger for the future. Since we respect the Arab national sentiment, we are aware of the possibility of incessant tension between the Jewish majority and the Arab minority, similar to that in Northern Ireland. Thus, for the sake of peace and brotherhood, it is advisable to take steps to prevent this danger. It is desirable for each people to live in its own country and not under the other's rule. For these reasons we turn to you and suggest that you emigrate from the Land of Israel. To this purpose we are establishing an 'Emigration Fund,' which will aid any Arab living either within or without the 'Green Line' who is willing to leave the country.

Yours,  
The Jewish Defense League  
P.O.B. 7287, Jerusalem <sup>60</sup>

All the Israeli traditionalists wish to exclude, as far as feasible, the indigenous Palestinian Arabs from their state which should be "as Jewish as England is English or France is French," as the old Zionist slogan would have it. Both those traditionalists who favor withdrawal and those who favor annexation are opposed to the policy of economic integration of the occupied areas with pre-1967 Israel. The foremost proponent of economic integration has been the Minister of Defense, Moshe Dayan, and his colonial policy has in fact been implemented in the military occupation of the conquered areas, though it has never been formally accepted by the Cabinet.



Dayan and his fellow integrationists see Israeli rule over the million Palestinian Arabs of the occupied areas as a golden opportunity to break through the Arab boycott which has so hampered the Israeli economy, and to transcend the old principle of exclusivism on which Israel was built. In place of the exaltation of ethnic purity they would put a new program of exploitation of Arab natural and human resources, first in the occupied areas and then perhaps in other parts of the Arab East.

The first necessity, Dayan believes, is to work against the isolation imposed by the Arab boycott: "We must attempt to knock down forcefully -- of course, I do not mean here by force of arms --" he once declared, "the walls that stand between us and them on the basis of direct contact in day



to day affairs."<sup>61</sup> The second requirement is to integrate – or less euphemistically, to subsume – the economy of the occupied areas. This economic linkage between Israel and the occupied areas is closely tied in Dayan's mind to the kind of peace he wants with the Arab states. The *New York Times* reported that

Mr. Dayan said that the only political settlement Israel would accept would be one based on peaceful relations between Israel and her Arab neighbors. In this sphere, he added, economic cooperation between Israel and the occupied areas should be intensified if the areas were to be operated profitably.

He said, for example, that the Gaza Strip, the West Bank and Israel could not function independently in economic matters. All oranges, he said, should be exported in a coordinated manner, under Israeli supervision.<sup>62</sup>

Dayan has been very explicit in regard to his program of economic integration of the occupied areas, and quite vague in reference to the future political structure he favors. A RAND survey commented:

Thus Dayan seems to be aiming at an arrangement in which the issue of territorial sovereignty will be submerged in the welter of economic and personal ties that will have been created in the area. Such ties will exist between the Arab areas and other Arab countries, as they will exist between the Arab areas and Israel. In this fluid creation, in the process of integration, or what THE ECONOMIST has called 'osmosis,' particular boundaries will assume secondary significance.<sup>63</sup>

To the Israeli politicians who still hold to the anachronism of exclusivity, then, the million Palestinian Arabs under military rule are a threat to Israeli society; the solution lies either in keeping the territories and somehow cleansing them of their Arab population, or withdrawing from more or less of the conquered territory before their Arab population contaminates the Jewish state. These traditionalists have been



in the minority, and Dayan has been in control. Dayan and others like him have been constructing relationships between Israel and the occupied areas based on Abban Eban's old vision of importing raw materials from the Arabs while selling them manufactured goods, relationships "akin to the relationships between the United States and the Latin American continent." For the economic integrationists, the occupation has been a fine opportunity to begin the task of constructing a new form of imperialism in the Middle East.

## THE OCCUPATION POLICY OF ECONOMIC INTEGRATION

The occupation program of economic integration of the captured areas has turned the West Bank, Gaza and the Sinai into Israeli colonies.\* The Israeli Ministry of Defense, in its report on *Development and Economic Situation in Judea, Samaria, the Gaza Strip and North Sinai*, characterizes the nature of the economic relationship between Israel and the occupied areas quite candidly: "The areas are a supplementary market for Israeli goods and services on the one hand, and a source of factors of production, especially unskilled labor, for the Israeli economy on the other." <sup>68</sup>

Israel has long needed a close and semi-industrialized or developing market for her exports. The occupied territories meet this need perfectly and their importance to Israel is growing steadily. In 1969 exports of goods to the occupied

\* This study will not consider the distinct economic problems of Arab Jerusalem, whose unhappy fate has been "unification" with Israeli Jerusalem and avowedly permanent annexation to the State of Israel. The decision to annex East Jerusalem was political rather than specifically economic, and the economic effect of the occupation on Jerusalem needs to be considered in that special context.

Nor will this essay consider the economic consequences of the occupation of the Golan heights, because it too follows a different pattern. Israel has demonstrated its intention to retain Golan permanently, and for primarily political purposes: the strategic military position of the heights offers artillery command of the Israeli settlements in the valley below. (Occupation of the heights also allows Israel to negate the possibility of the Arab countries diverting the headwaters of the Jordan river.) The situation in Golan after the June War was similar to that which obtained in 1948 in the regions conquered for the establishment of the Israeli state. Over 90% of Golan's inhabitants (90,000 people) fled to other parts of Syria, leaving their homes, farms and the whole city of Queneitra, formerly with a population of 20,000. 90% of the 6,400 indigenous people who remained are Druzes.<sup>64</sup>

The Israeli occupation policy in the Golan Heights is one of permanent Israeli agricultural settlement, most of it officially civilian. (In October 1969 Israel declared that its own civil law would replace Syrian law in the region.<sup>65</sup>) Between 1967 and 1972, the Jewish National Fund spent \$4.5 million in developing the Golan Heights and has cleared 6,750 acres of agricultural land, on which twelve settlements have been established. Over the next five years, the J.N.F. plans to clear 17,500 additional acres and establish ten more agricultural settlements. The J.N.F. also urged development of an urban center to "solve Golan's underpopulation problem,"<sup>66</sup> although, of course, Golan has a large population which is now in refugee camps elsewhere in Syria. In fiscal 1968-69, IL 15 million were invested in settlement in Golan, and IL 30 million were budgeted for 1969-70.<sup>67</sup>



territory accounted for 9% of all Israeli exports, an increase of 12.5% over the previous year.<sup>69</sup> By 1973, the occupied areas had become the second largest market for Israeli exports (excepting polished diamonds), after the United States and before Great Britain.<sup>70</sup>

Israeli exports to the occupied areas are mainly manufactured goods. The TV antennas bristling on the rooftops of homes in the occupied areas testify to the impact of Israeli manufactures on the local market; where before the war there were 3,000 television sets in the occupied areas, now there are 40,000.<sup>71</sup> In 1969, 83% of Israeli exports to the occupied areas were manufactured goods. As a means of protecting the privileges of the West Bank and Gaza markets for its own industries, Israel has stringently limited permission to import manufactured goods from other countries into the occupied areas. Only 31% of the goods imported into the occupied areas from the East Bank of Jordan and other countries were manufactured products, as the figures in the following table indicate:

IMPORTS INTO THE OCCUPIED AREAS<sup>72</sup>  
in IL millions\*

	July-Dec. 1967	1968	1969
Total imports	62.6	236.0	295.4
Imports from Israel			
Total	47.0	178.8	236.0
Agricultural products	10.0	50.1	38.9
Industrial products	37.0	128.1	197.1
Imports from Jordan			
Total	.8	18.1	24.9
Agricultural products	----	13.3	17.0
Industrial products	----	4.8	7.9
Imports from others			
Total	14.8	39.1	24.9
Agricultural products	7.4	23.7	23.6
Industrial products	7.4	15.4	10.9

The labor power of the people of the occupied areas is rapidly becoming a crucial factor in the Israeli economy. In 1972, 5% of the entire civilian labor force of Israel was composed of workers from the West Bank and Gaza, and in the construction field, a significant 21% were from the occupied territory, up from 17% in 1971.<sup>73</sup> The workers from the areas conquered in 1967 entering the same fields, construction and agriculture, in which "Israeli" Arab workers have already been concentrated. In 1969, for example, 20.7% of the workers in building and 21.5% of those in farming were what the Israeli government coyly calls "non-Jews in Israel," or Arabs resident in pre-1967 Israel.<sup>74</sup>

In absolute numbers the workers in Israel from the occupied areas have increased at an amazing rate:

WORKERS FROM THE OCCUPIED AREAS  
EMPLOYED IN ISRAEL<sup>75</sup>

Period	Number
September 1968	5,800
September 1969	11,500
September 1970	20,600
September 1971	42,200
March 1972	50,000
beginning of 1973 (est.)	70,000

\* From 1967 until the end of 1970 IL3.50 were equivalent to US\$1. In 1971 the rate changed to IL4.20 to US\$1.

The decision of the Israeli government to permit the employment in Israel of workers from the occupied areas can be traced directly to a labor shortage in 1968 which threatened to put a brake on the accelerating expansion of the Israeli economy. Immediately after the war, before the labor shortage had occurred, the Israeli Economic Planning Authority opposed the employment of workers from the occupied areas because it feared that the existing problem of unemployment among Israelis, which then stood at 12%, would be exacerbated. It was only in the following year, when, as the following statistics show, the pool of unemployed Israelis began to dry up, that the government approved of employment of Palestinian Arabs from across the "Green Line," and even then, the Labor Ministry insisted on "the express stipulation that Israeli citizens [would not] be affected."<sup>76</sup>

DAILY AVERAGE UNEMPLOYED IN ISRAEL<sup>77</sup>

Year	Number
1967	13,525
1968	5,709
1969	2,395
1970	1,595
1971	938
November 1972	690

A *Jerusalem Post* article described the problems the labor shortage had posed for Ernst Wodak, a textile manufacturer, and the happy solution presented by the employment of workers from the occupied areas:

His plant in Herzliya is 25 years old and keeps expanding. Looking back, he recalls how Israel's reserve of job seekers ran out during the economic boom that followed the six day war.

'For two months the [labor] exchange did not supply a single worker. We offered a prize for any employee who brought in a new applicant. We tried everything.'

The textile trade is extremely competitive. Profits, says Wodak, come to 3% of turnover. If machinery isn't used round the clock, the company faces a loss. By October 1968 Aderet [Wodak's firm] decided it must seek labor from the West Bank.<sup>78</sup>

Besides merely providing the hands to tend the machinery, pick the fruit or lift the bricks, the government's decision to permit the employment of Palestinian Arabs from the occupied areas helped employers keep wages down, very likely one of the reasons why some "Labor Zionists" like Ben-Aharon are so opposed to the policy of economic integration. The Israeli daily *Ha'aretz* ran an editorial in July 1968 commenting that

Fortunately such migration [of workers from the occupied areas to jobs in Israel] can be of help not only to the Arabs but also to the Israeli economy. Israel's economy is showing signs of a labor shortage. It is hard to tell whether this will develop into a general phenomenon or remain restricted to some industries. In any case the potential supply will cool off the labor market and help prevent wage inflation.<sup>79</sup>

"Wage inflation" was staved off not only by the increase in the size of the "reserve army of labor," but also by the fact that workers from the occupied areas could be hired

at lower wages than could the Israelis. Workers from the West Bank and Gaza are concentrated in the most menial and poorly paid jobs in Israel, and earn on the average only 40% of the wages of the average Israeli worker.<sup>80</sup>

Israel had already absorbed the Jewish Arab immigrants of North Africa and Asia, as well as the "Israeli" Arabs, and had to look elsewhere for additional workers to do the labor which the privileged strata in Israel scorn. Employment of workers from the occupied areas thus assisted the Israeli government to maintain the privileged position of its citizens of European and American origin. In Israel maintaining the privilege of settlers is a strategic necessity, for the Zionists have depended upon immigration -- and continue to depend upon highly trained Soviet and U.S. immigrants especially -- to populate their state. The hiring of Arab workers from the occupied areas in order to maintain this privilege required, however, an alteration in the nature of Israeli racism. In the past the economics of excluding Arab workers from employment had given rise to the racist concept of "Jewish labor," an exaltation of the denial of jobs to Arabs. Now the exploitation of Arab workers has generated a new element in the cultural superstructure: the racist notion that Arabs are particularly suited to dirty work inappropriate for Jews.

This attitude was strikingly manifest in a letter which a reader of *Ha'aretz* had been prompted to compose when Prime Minister Golda Meir hesitated on the question of employment of workers from the occupied areas in Israel:

If Mrs. Meir wants to see Hebrew workers sweating away on hot summer days, if it gives her pleasure, this is her own business. But it cannot become the national criterion on which to convince the public that we should not integrate the economy of the West Bank. . .

Every Jewish mother wants her son to finish high school and university, and to become a chemist, technician, engineer, or at least a trained plumber. Who is training the young people of today for the simple tasks, carrying buckets of cement or asphalt for road making? In the course of time we shall in any case need Arab workers for building, agriculture and even industry. Immigrants are more and more people whose professions are far from these simple tasks.<sup>81</sup>

What Pinhas Sapir predicted when he warned that "the integration of Arab labor into the Israeli economy will produce a two-class system with the Arabs becoming the drawers of water and the hewers of wood"<sup>82</sup> has come to pass.\* This has produced major cultural changes in some sectors of Israeli society, and a jarring clash with the traditional values of "labor Zionism." This disruption of old values was cogently expressed in a famous letter published in the Israeli press which a worried woman had written to Moshe Dayan:

Both I and my husband were born in a moshav [cooperative agricultural settlement] in the center of the country. Up until the Six Day War we lived comfortably, worked hard and made an honorable living. Since the war, however, things have changed drastically, for my husband, a capable man, has become a farm-work contractor.

\*Others have more accurately observed three ethnic layers in Israeli society: the Jews of Western origin on top and the Palestinian Arabs on the bottom, with the Oriental Jews sandwiched in between.

His work involves no problems: labor is cheap and there is a ready market. Today we have five Arab workers and we have reached the point where no one on the moshav lifts a finger. Nowadays my eldest son refuses even to mow the lawn. 'Mohammed will do it,' he says. And to ask him to shift irrigation pipes or do any manual labor is simply out of the question. My children and the other children of the moshav are, before my very eyes, becoming rich men's sons of a base and disreputable kind, whose work is done by servants. They do not know how to drive the tractor standing in our yard and they behave as if farm work is beneath their dignity. . .

Until a week ago, the workers lived in various packing houses in the area. Now with more workers brought in to cope with the harvesting of hot-house crops, the packing houses that accommodated the workers have become filled. My husband therefore built his workers a hut in the backyard of our homestead. When I expressed strong disapproval of this step he sent me on a walk around the village. Well, it turned out that every decent fellow in the village has become some kind of a contractor. And the hot-houses being built exclusively by Arab labor are on the increase. The Arabs live in the 'thickets' a few meters away from our renovated villas, and our lifestyles have become similar to those of effendis.<sup>83</sup>

The policy of economic integration has, then, provided significant new markets and supplies of highly exploitable labor power for Israel. The new colonies have become critical to the Israeli economy.

## THE WEST BANK

The hills and narrow valleys of the West Bank of the Jordan River are among the most difficult lands in Palestine to farm. During the Mandate period as Zionist settlers took over the rich plains near the Mediterranean, the peasants of the West Bank continued to till their hillsides, terraced over the centuries by generations before them.

In 1947-1948 over 400,000 refugees were driven into the West Bank from the area which became Israel. They more than doubled the population<sup>84</sup> of a region where the original inhabitants were already unable to eke out a sufficient living from the meager resources of the land. The West Bank was annexed by King Abdullah, the British puppet ruler of Transjordan, to establish the Hashemite Kingdom of Jordan. That kingdom had virtually no hope of economic viability; the East Bank was even poorer than the West Bank, and the influx of refugees into the capital caused wages to fall by half and rents and prices to double.<sup>85</sup> Jordan had to rely on subsidies, first British and then US. The West Bank fared even less well than the East Bank, which received preferential treatment from the government in economic matters.

But if the economy of the West Bank was troubled before 1967, its problems have become even more severe since the Israeli conquest. For although the standard of living has improved somewhat for many sectors of the population, the West Bank is now an Israeli colony, and the economic ties which keep it in bondage to Israel are pulled tighter each day.

The economic effect of the Israeli occupation on the West Bank has developed on several interconnected fronts. In addition to the exploitation of West Bank workers in Israel itself, subcontracting to Israeli industry led to exploiting Palestinian workers in the West Bank proper. Of significance also is the

restructuring of West Bank agriculture in order to increase its usefulness to and dependence on the Israeli economy in general and Israeli industry in particular. Finally, the occupation has brought about the reorientation of the West Bank's trade away from the East Bank and other Arab countries and toward Israel. However, some trade between the West Bank and other Arab countries has been permitted to continue, a fact which has both immediate and long-range strategic economic considerations.

## Labor

By the middle of 1971, approximately a third of the employed men of the West Bank were working in Israel,<sup>86</sup> and since then the proportion has climbed still higher. In September 1971, the number of West Bank workers employed in Israel was officially reported to be 33,400. The following table shows the meteoric rise in the number of workers from the West Bank employed in Israel:

EMPLOYMENT IN ISRAEL OF WORKERS  
FROM THE WEST BANK<sup>87</sup>

Period	Number of workers employed
September 1968	5,000
September 1969	9,000
September 1970	14,700
September 1971	33,400

These statistics represent only those "legally" working in Israel, that is, those who have permits from the Israeli government, but it is estimated that thousands of men from the occupied areas are working "illegally" in Israel.<sup>88</sup> It is among these "illegal" laborers that the working conditions are most inhuman.

The economy of the West Bank is now heavily dependent on the wages of its people who work in Israel: in 1970 the wages earned in Israel by West Bankers totalled IL 64 million, and accounted for 14 percent of the region's gross product.<sup>89</sup> Since the number of West Bankers working in Israel mushroomed after 1970, more than doubling in the next year alone, it would not be unreasonable to estimate that wages earned in Israel now account for a third or perhaps even more of the West Bank's gross product.

The export of workers has also had a marked effect on wage labor on the West Bank. Competition from Israeli employers together with the increased demand for labor has forced the average daily wage on the West Bank up from IL 6.5 at the end of 1968 to IL 9.6 at the beginning of 1971.<sup>90</sup> The rise in wages has hurt the small employers -- businessmen, artisans, and farmers -- who find that they can not compete for labor against Israeli employers and against the largest West Bank industrialists who are benefitting from the economic policy of the occupation. Thus the proletarianization of Palestinian artisans and petty entrepreneurs has been proceeding rapidly.<sup>91</sup> The increase in wages between 1968 and 1971 was large enough, about 38 percent, so that the real income even of workers employed on the West Bank rather than in Israel has risen somewhat, despite the concomitant increase in prices. (The consumer price index on the West Bank rose from 103.0 in 1969 to 119.2 in the first part of 1971.<sup>92</sup>)

West Bankers employed in Israel earn wages about 70 percent greater than those of workers with jobs in the West Bank.<sup>93\*</sup> Workers employed in Israel, however, now have to meet the additional expense of fare for the buses which wind their way up the roads of the West Bank each morning to take men to work in Israel; originally the transportation for workers from "Samaria" was free, but in November 1971 the Israeli government handed the bus routes over to a commercial operator.<sup>96</sup>

As shown in the following table, West Bankers in Israel are concentrated in construction and agriculture, generally in the lowest-paid jobs. Well over half of them work in construction, especially in the area around Jerusalem, where the Israeli government is building fortress-like apartment blocks, many of them on expropriated Arab land, to house new immigrants.

EMPLOYMENT IN ISRAEL IN 1970 OF WORKERS  
FROM THE WEST BANK, BY ECONOMIC SECTOR<sup>97</sup>

Sector	Percent
Construction	57
Agriculture	19
Industry	13
Services	11
TOTAL	100

Workers are channeled into these menial jobs by a systematic Israeli policy. They are hired through Israeli employment offices, of which there are at least 20 now functioning on the West Bank.<sup>98</sup> The purpose of these offices, which are operated under the military government by the Israeli Ministry of Labor, is not to serve the general needs of the area for employment referrals, but to recruit workers for Israel. This function is becoming even more apparent with the passage of time: soon

\*Some Israelis have pointed to the higher wages workers from the occupied areas can earn in Israel as evidence of the benefits Israeli occupation has conferred on the conquered Arab population. Moshe Dayan went so far as to say, "I know of no policy more socialistic than one allowing an Arab from Gaza to work here in order to gain his bread, education and now also to build a house."<sup>94</sup> This is a standard apology for colonialism or neo-colonialism offered by employers of third world workers in "metropolitan" countries, and an obviously specious one. The wage scales in advanced capitalist countries are considerably above those in oppressed unindustrialized ones because the cost and standard of living in the former countries are so much higher: private consumption per capita in Israel was 4.5 times higher than that in the West Bank, and 7.5 times higher than that in Gaza in 1969, for example.<sup>95</sup> There is a global pattern of workers from poor countries or regions travelling to advanced capitalist ones to find work there at salaries higher than they could earn at home, but this is hardly to say that the white South African housewife employing a cook from a Bantustan, a Parisian industrialist hiring an Algerian worker, a grape grower in California engaging Mexican migrant labor or a businessman in the New York City garment district hiring an "illegal" Latin American or Chinese immigrant is not exploiting the employee. In fact, such employment is usually characterized by extreme exploitation, as in the case of workers from the West Bank employed in Israel.

Moreover, the situation which forces the worker to emigrate in order to find better employment, or any employment at all, and the inequity of living standards between the dependent and imperialist country arises (at least in part) from the injustice of imperialism. Nowhere is this more true than in the case of Israel and the West Bank. For it was the Zionists who had destituted the refugees who flooded the West Bank in 1948, and Israel which forced the West Bank into the poverty-stricken grip of Amman.



after the offices were opened, in December 1968, 44 percent of the workers hired through the offices were employed on the West Bank, and the rest went to work in Israel, while in March 1971, only one percent were allotted jobs on the West Bank, and 99 percent were employed in Israel.<sup>99</sup>

The Israeli government is channeling Palestinian workers into the lowest ranks of the Israeli proletariat by denying work permits to persons from the occupied territories for any job deemed appropriate for unemployed Israelis and by referring workers from the occupied territories only to unskilled or semi-skilled jobs, for which they have been given minimal preparation in a crash program of vocational training, which the *Israel Economist* called an "indirect booster to the labor situation."<sup>100</sup>



Israelis move into permanent housing in Hebron

Since August 1968, 19 vocational training centers have been operated by the Israeli government in the West Bank. There is a heavy emphasis on construction skills: in 1969-1970, 700 of the 1260 persons who completed courses had studied construction.<sup>101</sup> Trainees are attracted to the construction courses by an allowance of IL 2.50 per study day, considerably more than the IL 1.75 paid to students of other trades in the centers.<sup>102</sup> (The stipend is in addition to a monthly food allotment distributed by the US agency, CARE, Inc., through its "food-for-work" program. CARE's operations in the occupied areas will be discussed in the section on Gaza.) Though the other courses require a year of study, the construction training takes only three months before the trainee is ready for employment.

One aspect of the Israeli thrust to import workers from the West Bank is their attempt to recruit women, who in Palestinian society have traditionally been consigned to unpaid labor in the home and on the farm, a pattern which, of course, had already begun to change long before the Israeli occupation. A Ministry of Defense document observes that, "In the towns [of the West Bank] it would seem that the supply of employed men is nearly exhausted, and any expansion of the labor force will only be possible by recruiting women and by natural increase of the working-age population."<sup>103</sup> Seven of the vocational training centers operated by the Israeli government on the West Bank are for teaching girls and women to sew, essentially preparing them for employment in Israeli clothing enterprises. In 1969-1970, 180 women completed such courses.<sup>104</sup> In the Israeli citrus season of 1970-1971, of the 7,000 workers hired from the West Bank to help with the crop, 1,200 were women, who worked mainly in canning and packing.<sup>105</sup>

Before the war, the preponderance of workers in the West Bank were employed in agriculture, the backbone of the economy of the West Bank. Forty-four percent of West Bank workers were employed in agriculture in 1961, for example, but since the war there has been a marked shift in the proportion of workers away from agriculture and toward other fields, particularly construction.

#### COMPOSITION OF EMPLOYMENT OF WEST BANK WORKERS BY ECONOMIC SECTOR (%)<sup>106</sup>

	1961	1969	1970
Agriculture	44	39	32
Industry	14	14	15
Construction	12	14	18
Services, trade and industry	30	33	35
TOTAL	100	100	100

Some of the decline in the percentage employed in agriculture can be traced to agricultural workers and farmers leaving the farms of the West Bank for jobs in Israel. The Communist Party of Israel reported that "238,000 dunams of agricultural lands were not tilled in 1968-1969 in the occupied areas; this figure reached 354,000 dunams in 1969-1970. Consequently agricultural soil in the Western Bank is left unploughed, since labourers and even owners of the small farms have to look for jobs in Israel."<sup>107</sup>

#### Agriculture

The Israeli occupation has had a profound impact on the agriculture of the West Bank. The economic policy of the occupation towards West Bank agriculture has been dictated by two considerations: making that agriculture fulfill the function of supplying "other factors of production," in the words of the Israeli Ministry of Defense, and making it serve Israeli plans for markets.

In the months after the war, the Israeli authorities decided on an "open bridges" policy whereby the farmers of the West Bank can truck their agricultural surpluses (and the manufacturers their products) across the bridges which span the Jordan to the unoccupied East Bank; about one-third of the West Bank's agricultural produce is marketed in the East Bank. The bridges, of course, are "open" in one direction only, and freedom of import from the East Bank is not permitted. In the long run, this "open bridges" policy keeps an economic conduit available from the West Bank to the adjacent Arab areas, an important political consideration if Israeli dreams of access to the vast markets of the surrounding countries are to be realized. (Even now, Israeli merchants are making furtive use of these markets by having their goods shipped to the East Bank under the label of West Bank and Gaza manufacturers or farmers. Although the economic significance of this practice is still limited, its potential political and economic meaning is massive.)

Immediately after the war the "open bridges" policy solved the Israelis' problem of disposal of the agricultural surpluses of the West Bank. On the one hand, if the produce had been left unsold, the economy of the West Bank would have collapsed completely; the resistance of the people might have intensified, and provision of the necessary services would have been a drain on the Israeli economy. On the other hand, if fruits and vegetables grown on the West Bank had reached Israeli markets in the months after the war, they would have undersold competing Israeli produce by 20 to 25 percent.<sup>108</sup>



Initially the Israelis inhibited the sale of West Bank produce in Israeli markets by regulations requiring special permits, health checks on processed foods and certification that the import would not cause any Israeli surpluses.<sup>109</sup>

The Israeli Minister of Agriculture issued guidelines for the West Bank's agriculture which called for a reduction of the West Bank's dependence on trade with the East Bank and the introduction of crops which would be complementary to the Israeli economy, suitable for export to Europe or for processing in Israel.<sup>110</sup> For while the Israeli government was interested in maintaining a flow of exports from the West Bank to the East Bank, it feared continued dependence on trade with Amman. The exports to the East Bank prevented West Bank produce from glutting the Israeli market or remaining unsold, and brought in hard currency which improved Israel's financial situation. Moreover, it was important to maintain some flow of goods from the occupied areas to the Arab countries in order to nourish Israeli hopes of access to Arab markets for its own products in the future. However, excessive reliance on trade with the East Bank would place in Hussain's hands a powerful weapon, the threat to close the bridges, and thus give the government in Amman great leverage over the political and economic life of the West Bank.<sup>111</sup> Furthermore, continuation of the traditional pattern of marketing the agricultural surplus would hinder Israel's plan of "integrating" West Bank agriculture for the benefits it could offer the Israeli economy.

In 1968-1969 the Israeli authorities, in consultation with West Bank notables and "agricultural leaders," drew up a new plan for West Bank agriculture,<sup>112</sup> which focused on discouraging the farmers of the West Bank from planting some crops which they had been used to shipping to the East Bank, and growing instead crops needed by Israel. A salient example of successful efforts to discourage a crop previously planted for sale in Arab markets is the decline of melon production and of other high-water-content fruit which had been an important summer export item to the arid Arab countries.<sup>113</sup> Between 1968 and 1969, the melon crop of the West Bank fell from 36,000 tons to 20,500 tons,<sup>114</sup> and by 1970 was down to 13,000 tons.<sup>115</sup> In contrast, the production on the West Bank of crops needed by Israel is increasing: between 1968 and 1969, for example, production of sesame shot up from 700 to 1,700 tons, and between 1969 and 1970, the number of dunams planted with tobacco increased from 4,500 to 12,000. More sugar beets were grown for Israeli industry, and more vegetables, such as eggplant and peppers, for export to Europe.<sup>116</sup>

The Ministry of Agriculture uses elaborate means to effect the changes it has planned for the West Bank's agriculture. One crucial instrument is the agricultural council which provides liaison between the military government and the farmers. The military authorities reported that:

Agricultural councils, district and rural councils and also branch agricultural councils were established in the district. The councils are composed of notables and leading farmers. Approximately 3,000 farmers are associated within these frameworks. The councils deal with training and research plans, production and marketing guidance, and liaison with the administration.<sup>117</sup>

As an incentive to plant new crops, "demonstration projects" provide seeds of the approved crop to the farmer, plus costs

above those of his previous crops. Fifteen agronomists were assigned to a training program for farmers; the program has organized field days to teach tens of thousands of agricultural workers "new methods" and study trips to Israeli agricultural facilities. The training program has a center in Ramallah.<sup>118</sup> The Israeli government also has a loan program for farmers, which by 1969-1970 had given 1,500 farmers a total of IL 3 million in loans.<sup>119</sup>

Israeli marketing policy for West Bank farmers also fosters adherence to the Ministry of Agriculture's guidelines on crops. Attached to the military occupation staff is a Marketing Officer from the Ministry of Agriculture,<sup>120</sup> whose task is to encourage marketing arrangements favorable to the needs of the Israeli economy. The 1969-1970 agricultural plan recommended, for example,

that farmers producing tomatoes and eggplants for export should in the months of March-April send their surpluses to the Israel markets. During that period there is a demand for these products on the Israel market. Such a program will serve as an incentive to Arab growers to sign export contracts.<sup>121</sup>

The report goes on to describe how export contracts useful to the Israeli economy in general and agricultural-based industries in particular were concluded: "With the help of the Ministry of Agriculture, contracts were now signed between the growers and Israel canning factories. Thus the farmers will increase the areas of such crops which Israel had to import previously."<sup>122</sup>

It is interesting to note that while the Israeli government has marked most of the West Bank out for labor-intensive crops, as it had earlier planned for the land which remains under Arab tillage in Israel itself,<sup>123</sup> one area of the West Bank seems to be destined for capital-intensive agriculture by Jewish settlers. That is the Jordan Valley. Recently officials of the Settlement Department of the World Zionist Organization predicted that the Jordan Valley could become "the hot-house of Europe" and discussed possible projects there, including an airport from which winter fruits and vegetables would be flown to Europe.<sup>124</sup> By early 1973 a chain of at least 12 Israeli settlements had been established in the Jordan Valley.<sup>125</sup>

## Industry and Finance

In the areas of industry and finance as well as that of agriculture, Israel's plans for the West Bank and Gaza are colonial. Those plans do not, of course, include encouragement of a strong and independent industrial infrastructure for the region: the flooding of West Bank markets with Israeli manufactured goods certainly militates against that prospect. A RAND study concluded that, like the Arab in Israel, the West Bankers would "be unable to make any significant progress in industrial development."<sup>126</sup>

But a pattern is emerging which shows that Israeli industrialists are taking advantage of the labor available at low wages in West Bank plants to perform subsidiary operations for factories in Israel, and that the door has been opened for Israeli capital to penetrate West Bank industry.

By 1969, just two years after the occupation began, 9% of the West Bank's small industrial work force was already employed in filling orders for Israeli industry, 127 and in the following year the amount of subcontracted work completed on the West Bank nearly tripled. The subcontracts have been concentrated in Nablus.

VALUE OF SUBCONTRACTED WORK FOR ISRAELI  
INDUSTRY PERFORMED IN FACTORIES  
ON THE WEST BANK<sup>128</sup>

Year	Value of work done
1968	IL 810,000
1969	1,385,000
1970	3,800,000

SUBCONTRACTS FROM ISRAELI INDUSTRY  
BY DISTRICT<sup>129</sup>

District	1968	1969
Nablus	IL 480,000	880,000
Ramallah	30,000	50,000
Bethlehem	300,000	430,000
Hebron	----	25,000
TOTAL	810,000	1,385,000

The Israeli clothing, foam rubber and furniture industries in particular have been attracted by the low wages paid on the West Bank and have placed most of the orders for subcontracted work. The *Jerusalem Post* reported:

Sewing shops are sprouting up to do jobs for Ata, Rex, Barbir, Elastex and others. 'We have another eight clothing factories ready to give orders if there are takers,' Mr. Bechar [of the Israeli Ministry of Commerce and Industry] said. Contracts are given out by furniture factories: Rahat of Lydda has booked orders with companies in Nablus and Bethlehem. An Israeli company was planning to build its own foam mattress plant, but instead placed orders with a factory on the West Bank to the sum of IL 400,000 in 1968 and will double this amount this year [1970].<sup>130</sup>

In August 1969 the Israeli government announced that there were subsidies available for Israeli and foreign investment in the occupied areas including tax relief, sureties of security, and possibly lower prices on raw materials. In the case of joint ventures, however, the partner who was a resident of the occupied areas would not be eligible for the subsidy.<sup>131</sup> Although Israeli-owned factories were already appearing in Gaza, Israelis seemed initially reluctant to invest in the West Bank perhaps because the Israeli government had left its position on the West Bank's political future in greater doubt.\*

\* Israeli capitalists were quick to lose their hesitancy about investing in the West Bank, however, for in the debate in the Israeli cabinet on land sales in the occupied areas during April 1973, it emerged that two to three hundred transactions had been "broached if not concluded" involving the purchase of land in the occupied areas by Israelis.<sup>132</sup> Most of the land was in the area between Ramallah and Bethlehem and had been sought in large tracts up to 70,000 dunams [1 dunam = .23 acres] for purposes of speculation.<sup>133</sup>

Under pressure from the U.S. government, the Israeli cabinet retained the ban of sales of land in the occupied areas to Israelis and foreigners. The ban applied only to private sales, however. The Jewish National Fund acknowledged that it had purchased 10,000 dunams of conquered land since 1967 and was believed to have actually bought several thousand dunams more. The Israeli government also controls that land on the West Bank which had previously been in the hands of the Jordanian government, about one-sixth of the region as

There were some joint Arab-Israeli enterprises on the West Bank however, including the Jericho packing house.<sup>135</sup>

In October 1972 the Israeli government offered significant new incentives to Israeli investors to put their money into industry in the occupied areas. On October 8th, the Ministerial Economic Committee decided to extend to enterprises in the occupied areas all benefits accorded to businesses in the "A" priority development areas of Israel itself. *Ha'aretz* commented that

Informed circles in Jerusalem reported that the decision to extend the Law for the Encouragement of Capital Investment has considerable political significance. In essence, the government's decision means that from now on it is ready to encourage entrepreneurs establishing industries in the territories through grants of substantial privileges . . .

The proposal, which was presented to the Ministerial Committee by the Minister of Industry and Commerce, Haim Bar-Lev, raised no opposition.<sup>136</sup>

Even some of the "anti-integrationist" politicians in Israel who oppose the import of Arab labor into Israel were pleased with the decision on investment incentives for Israelis in the occupied areas.<sup>137</sup>

The new privileges for investors are indeed substantial. Any new business opened by Israelis in the occupied areas will qualify for a loan of up to 50% of the necessary working capital at 9% interest, a low rate by Israeli standards, and the investors themselves need put up only 20% of the capital.<sup>138</sup> Furthermore, the new enterprise can receive a government grant of up to 33.3% of the investment in site and building development, plus twice the usual depreciation allowance, deferment of registration, capital and property fees, exemption from income tax for five years and a maximum tax of 28% on profits. There are special provisions for foreign capital.<sup>139</sup>

At about the same time it offered incentives for Israeli entrepreneurs in the occupied territories, the government acted to extend the operations of Israeli banks there also. Since the war in 1967, Arab banks in the occupied areas have been closed, and so have offered no competition to Israeli banks. Two factors, however, limited the operations of Israeli banks in extending credit: Jordanian law set a ceiling of 9% interest, less than the rate at which Israeli bankers were willing to make

a whole. Of the almost 6 million dunams on the West Bank, state lands in the hands of the Israeli government include 730,214 dunams of cultivated and built up land and 300,000 dunams of desert. Moreover the Israeli government controls 328,789 dunams of "abandoned land" on the West Bank and 10,402 buildings belonging to "absentees"—refugees who fled in 1967. These holdings do not include about 21,000 dunams confiscated in the annexed area of East Jerusalem and its environs.

In Gaza, the Israeli government holds about one-third of the total area, state lands which had previously been controlled by the Egyptian government. That area includes 45,370 dunams of roads and 51,526 dunams of beach. In addition, about 10,000 dunams of land was expropriated in the Gaza Strip for five Israeli settlements.

These figures do not encompass land in both regions declared "closed for military reasons." Land in this category amounts to several thousand dunams.<sup>134</sup>

loans, and secondly, the bankers had no security that the loans would be repaid. Until late 1972, Israeli banks lent money in the West Bank only in cases of "directed credit," usually for development purposes, in which the government had to approve each loan and offer security and the necessary differential on interest. Then the Israeli government waived the section of Jordanian law setting 9% as the maximum interest rate and extended a government guarantee of 90% on loans in the occupied territories. Furthermore, the government increased the maximum of total guarantees on loans in the occupied territory from IL 20 million to IL 50 million.<sup>140</sup> Now Israeli banks can lend money in the occupied areas on the same terms as in Israel: the door has been opened for the penetration of the West Bank by Israeli finance capital.

As Israeli banks are preparing to pour Israeli currency into the occupied areas, the government is implementing programs to draw Jordanian currency out. Both the Israeli pound and the Jordanian dinar are legal tender on the West Bank, and the Israeli government is interested in keeping the dinars flowing from the East Bank to the West Bank and thence into Israeli coffers, for the dinars, freely convertible into pounds sterling and dollars lessen the Israeli foreign exchange problem. The Israeli government encourages the export of manufactured goods from the West Bank to the East because of the hard currency such exports earn, and even pays cash incentives to exporters to turn the dinars paid in Amman for their manufactures over to the Israeli government in exchange for Israeli currency. In August 1970 the incentives were raised to very considerable rates: for shortening, 80 Israeli agorot per dollar, or about 23 cents, and for candles, soap, alcoholic beverages and plastic, for example, 105 agorot per dollar, or about 30 cents.<sup>141</sup> "The rise in the rate of incentives," the report of the military government noted, "enlarged the turnover in the sales of dinars received for exports."<sup>142</sup>

Some industrialists, as the following figures show, have been paid very large incentives for exports, particularly the manufacturers of shortening and soap in Nablus, who were paid more than a million Israeli pounds in the year 1970-71 for exports in each category.

**PAYMENTS OF INCENTIVES FOR EXPORTS,  
April 1970-March 1971 <sup>143</sup>**

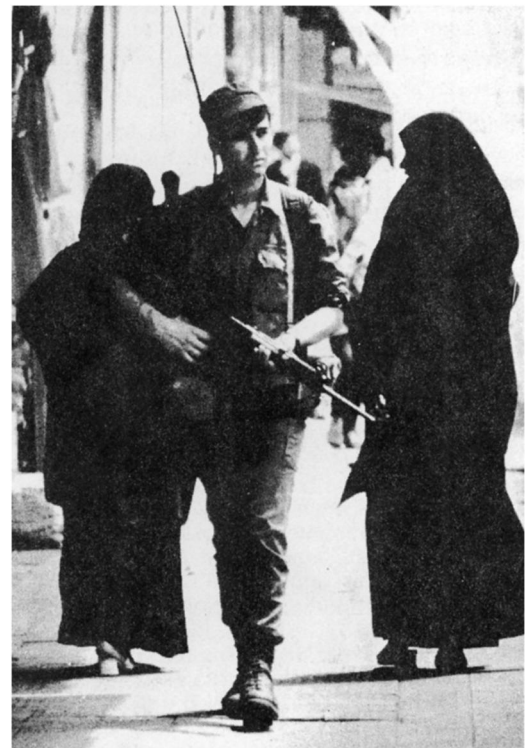
District	Product	Amount paid
Bethlehem	Plastic	IL 187,000
	Beauty products	170,000
	Alcoholic bev.	6,000
Ramallah	Paper	11,000
	Chocolate	210,000
	Soap	53,000
	Arab	47,000
	Tombak	----
Hebron	Textiles	----
	Scales	1,357
	Steel wool	1,887
Nablus	Shortening	1,194,000
	Matches	177,000
	Oils	11,000
	Soap	1,146,000
<b>TOTAL</b>		<b>3,215,244 <sup>144</sup></b>

## GAZA

The Gaza Strip, with its sandy beaches and dunes, its orange groves and old town, has elements of almost tropical beauty, but since 1948 it has been a place of sun-baked unhappiness. The refugees who fled to Gaza outnumbered the original population by about three to one.<sup>145</sup> Many of the permanent residents of Gaza lost their livelihoods when the armistice line separated them from their farms; the narrow Strip did not have anywhere near enough land or other resources to support its swollen population. Throughout the period of Egyptian administration the 135 square miles of the Gaza Strip were crammed with human misery and poverty; when the Israelis overran it in 1967 more than half of its over abundant population was packed into UNRWA's refugee camps. In 1972, 324,567 registered refugees were living in Gaza, 205,734 of them in the camps.<sup>146</sup> The Israeli government has indicated that it does not intend to withdraw from Gaza.

In the West Bank, one senses the long arms of the occupation reaching into the future to create preconditions of an imperialist peace in the area by keeping open the bridges to the markets of the Arab East. In Gaza the hand of the military government is on the refugee camps, trying to remold their inhabitants into some shape that can be announced as a "solution" to the refugee problem, and that will actually be a permanent solution to the Israeli quest for cheap labor.

Early in 1973, Moshe Dayan said of the refugees of Gaza, "Within two or three years, if we have the needed amounts of money, we can change their status in reality even if they go on calling themselves refugees and expressing their claims. Within two or three years, they will live a normal life in new



Israeli soldier in the Gaza Strip



towns, in apartments with water in the faucets, education and services for the children."<sup>147</sup> The economic basis of the new life Dayan envisions for the refugees is entry into the Israeli proletariat.

## Labor

Israeli statistics indicate that during the occupation Gaza's per capita gross product, private disposable income and private consumption have been rising steadily.

Year	GAZA Figures in IL per capita <sup>148</sup>		
	Gross product	Private disposable income	Private consumption
1968	402	536	432
1969	453	580	497
1970	587	715	571

By the beginning of 1973, the standard of living in Gaza was reported to have risen 58% in the last four years.<sup>149</sup> This is a considerable increase even in view of a consumer price index which rose from 104.9 in 1969 to 119.6 in January to October 1971.<sup>150</sup>

Much of this increase is attributable to a rapid rise in employment of persons living in Gaza.

PARTICIPATION OF MALES IN GAZA IN THE LABOR FORCE AND RATE OF EMPLOYMENT <sup>151*</sup>		
Period	Number participating in labor force	Rate of employment
Aug.-Dec. 1968	58,800	85.8%
1969 average	61,900	93.1%
1970 average	63,100	95.7%
Jan.-June 1971	62,400	98.1%

Most of this increase in employment is in turn caused by employment in Israel: approximately 75% of the increase in employment among men from Gaza between 1968 and 1971, for example, is made up of those working in Israel. This is indicated in the following table:

GAZA WORKERS EMPLOYED IN ISRAEL <sup>152</sup>	
Period	Number employed
September 1968	800
September 1969	2,500
September 1970	5,900
September 1971	8,800

In early 1973 the former mayor of Gaza, Rashad Shawa, estimated that 30,000 Gazans were working in Israel.<sup>153</sup> If his estimate is accurate, about half the employed men of Gaza are working in Israel.

In the coming years the occupation authorities apparently plan to increase employment of Gazans in Israel still further. The Israeli paper *Davar* reported that

The military authorities have prepared detailed plans for the Gaza strip up to the year 1985. Allowing for emigration, which is expected to be small, the labor force in 1985 is estimated at 106,000 males, 15,000 females and 19,000

\* "Participation in the labor force" includes both those who are actively seeking work and those who are actually employed. "Rate of employment" is the percentage of those participating in the labor force who are actually employed.

beduin (sex unspecified). Of these, according to the staff officer in charge of statistics, Zva Ganot, at least 90,000 'will be directed to work in Israel.'<sup>154</sup>

The rise in employment in the Gaza Strip, and the rise in the standard of living which is largely consequent upon it, have reinforced the view of the occupation authorities that the refugee problem can be solved in great part by drawing refugees and residents of Gaza into the Israeli proletariat. The Israelis can point to the fact that workers from Gaza have been attracted to work in Israel despite the fact that the fedayeen made armed attacks on men going to jobs in Israel in an attempt to stop the practice. And, the Israelis argue, wages for a Gazan working in Israel are 110% higher than in Gaza.<sup>155</sup> The IL 22 million in wages which Gazans earned in Israel in 1970 accounted for 10% of Gaza's gross product in 1970.<sup>156</sup> By fiscal 1972, wages from jobs in Israel had risen nearly 600%, and workers from Gaza earned IL 120 million in Israel. \*

However, in the course of trying to "solve" the old problems in their relations with the people of Gaza -- their refugee status and the destitution of unemployment -- by offering a solution very much in the interests of Israeli employers, the Israeli government is in fact creating new contradictions. A man from Gaza working in Israel knows that he is treated much worse than an Israeli worker, that he still does not earn enough to support his family on a reasonable standard, and that the conditions in which he must work are inhuman.

"In Tel Aviv during the past five years Arabs [workers] have been sleeping in the gutters -- why evade this?" Moshe Dayan has admitted.<sup>158</sup> Thousands of workers from Gaza stay overnight in Israel "illegally" often because transportation costs and time to their home are prohibitive. The police and military government were instructed to take firm measures against Palestinian Arab "workers from the territories [who] sleep overnight near their place of work in cellars of buildings under construction, in the kitchens of restaurants, in orchards and other agricultural areas."<sup>159</sup> There have been reports in the Israeli press of "entire families [from Gaza] including children and toddlers sleeping overnight in the chicken houses of Jewish farmers."<sup>160</sup>

An Israeli newspaper described the case of one worker from Gaza who stays illegally on the moshav where he works:

Fayik Hamad Daliz, a thin young man of slight build, at most 26 years old, is a worker who cares for two farms whose owners do not work them at all. Fayik is the father of a three year old daughter and a year and a half old son. He wears a grim smile and speaks fair Hebrew. He explains: 'My father is dead, and there is my mother and five sisters, unmarried girls, and four brothers still children. I am the oldest; I give them money, clothes. My work is not for me, it is for them. We are one home, my wife, my mother and sisters, everyone together. . . . I work perhaps sixteen hours, from four in the morning until ten at night. At first we were three men, afterwards two. Now the owner doesn't want this. I do all the work myself. For two years I worked for IL 12 a day, but there was one other worker. Until a month ago I received IL 16, now IL 25. Fourteen people have to be fed and clothed on this.'

\* But they spent IL 40 million, or one-third of their wages in Israel, on food and perhaps a room, taxes and other expenses and purchases. <sup>157</sup>



Fayik lives in an old chicken house with a cracked cement floor, hot tin walls. On a narrow bed covered with a threadbare mattress lies a pile of dirty clothes. Beside the bed is a trunk upon which is a tray with the remains of a meal, and near it, a pair of work boots.<sup>161</sup>

Like workers from the West Bank, workers from Gaza are employed in the lowest-paying unskilled and semi-skilled jobs in Israel. The workers from Gaza are less apt to be employed in construction, because they are farther away from Jerusalem where new construction is concentrated, and much more likely to be employed in Israeli agriculture: 41 percent of Gazans working in Israel are employed in agriculture, as opposed to 19 percent of the West Bankers.\*

#### EMPLOYMENT OF GAZAN WORKERS IN 1970 BY ECONOMIC SECTOR <sup>163</sup>

Sector	Percent
Construction	49
Agriculture	41
Industry	9
Services	1

The Israeli government has vocational training centers in Gaza as it has on the West Bank. The occupation authorities frankly admit that these schools are designed to produce the workers that the Israeli labor market needs.<sup>164</sup> Two of the centers are in the city of Gaza, and one each in Dir El Balam and Khan Yunis. The number of students entering the courses has been rising yearly:

#### NUMBERS OF STUDENTS ENTERING ISRAELI- OPERATED VOCATIONAL TRAINING CENTERS IN GAZA, BY YEAR AND COURSE<sup>165</sup>

Course	1968	1969	1970
Industry	122	706	903
Construction	136	1,068	2,087
TOTAL	258	1,774	2,990

The Israeli government is planning to open another three training centers for the building trades. In 1971 alone Israel spent IL 1,429,000 on vocational training in Gaza and Sinai.<sup>166</sup>

The quality of training available under Israeli auspices in Gaza, as in the West Bank, is low. A revealing comparison can be made between the Israeli government's vocational training schools and UNRWA's Gaza Vocational School which has been producing workers skilled in various trades since the 1950s. Both the Israeli and UNRWA classes are elements of

\* The tendency of Gaza workers to be employed in agriculture in Israel and the official encouragement of citriculture in Gaza has caused a shift in the percentages of Gazans employed in various sectors of the economy toward agriculture, contrary to the pattern on the West Bank where the occupation has caused a shift in employment away from agriculture.

#### EMPLOYMENT OF GAZAN WORKERS BY ECONOMIC SECTOR (%)<sup>162</sup>

Sector	before June 1		
Sector	before June 1967	1969	1970
Agriculture	24	33	34
Industry	14	12	13
Construction	9	10	10
Services, trade and industry	53	45	43
TOTAL	100	100	100

plans to liquidate the refugee problem, and by extension the question of Palestinian national rights. (UNRWA's programs have long been criticized by Palestinian Arab nationalists as efforts to pacify and resettle the Palestinian people.) But while the Israeli government's plan is to import workers from the refugee camps for unskilled or semi-skilled jobs on the lowest level of the Israeli proletariat, the UNRWA program is to export well-trained technical and professional workers from the refugee camps to various Arab countries, or even to Europe. The exported workers then send money back to their families living in or near the refugee camps, or bring their families to the country in which they are working.

So the UNRWA school courses are designed to teach a much higher level of skill than the Israelis' courses; the UNRWA course lasts 23 months as opposed to the Israelis' course of three to six months in construction and a year in other fields. An Arab teacher in the UNRWA facility commented that the Israeli courses teach participants "only how to tell the difference between a hammer and a saw. When they finish the course they are at most semi-skilled -- certainly you could not say that they are skilled workers. They are taught just enough to work under an Israeli foreman." Because the Israeli system depends on having a skilled Israeli worker as the boss of unskilled Arab workers, the graduates of the UNRWA school are unable to find jobs in Israel commensurate with the skills they have been taught, despite the boom in the Israeli economy in general and construction in particular. Before the 1967 war, a member of the UNRWA Gaza Vocational School staff estimated, 95 percent of the school's graduates found jobs appropriate to their level of training mostly in Egypt. Now the staff fears serious problems of unemployment for their graduates since they cannot come and go freely to Egypt and they are denied highly skilled work in Israel because they are Arabs.<sup>167</sup>

The US government is playing a significant role in the Israeli vocational training program and in other efforts of the military government to reshape the labor force of the occupied territories and reorient it to Israel. Students in the Israeli vocational courses in Gaza and the West Bank receive a mon-



Refugees clear the rubble of homes torn down to make way for new roads  
Gaza Strip

thly allotment of surplus American food through CARE, Inc., in addition to their daily stipend from the Israeli government.<sup>168</sup> The size of the CARE package varies with the number in the trainee's family. Moreover, some of the Israeli vocational training centers in Gaza are also subsidized with donations of equipment from CARE.

The distribution of food to vocational students in courses operated by the occupation government is a facet of CARE's "food-for-work" program. Under P.L. 480, the US government donates surplus food to CARE, Inc., a consortium of American organizations running the gamut from the AFL-CIO to religiously-affiliated relief groups. CARE then distributes the food in the occupied areas in accordance with a plan worked out with the Israeli Ministries of Social Welfare and of Labor, and approved by the Food for Peace officer at the US Embassy in Israel.<sup>169</sup> In Gaza and Northern Sinai rations for 50,000 persons, 10,000 of them workers and the rest dependents, are distributed under CARE's "food-for-work" program. (Food-for-work also operates on the West Bank. In fiscal 1974, CARE proposed to distribute rations to 27,500 workers and dependents on the West Bank, including persons in vocational training sponsored by Israel and their families.<sup>170</sup>)

In Gaza "food-for-work" is also distributed to a maximum of 17,000 workers and their families who do not live in refugee camps. The workers are employed by the Department of Public Works on projects approved by the military government. Some of these projects include "widening and repairing the roads,"<sup>171</sup> a rubric often used as a euphemism for the demolition of refugees' shelters and the thinning out of the camp populations for counter-insurgency purposes.

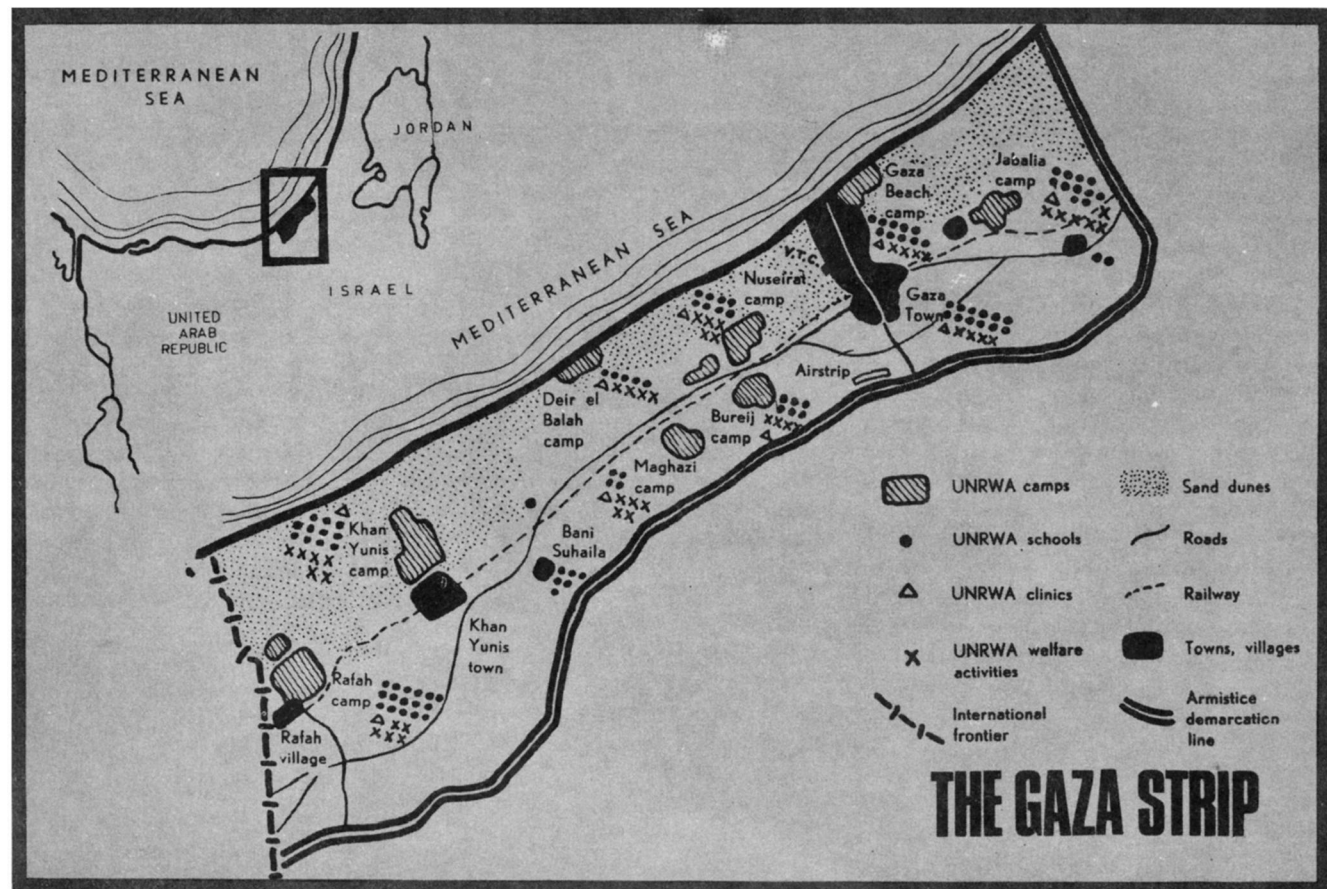
Half of the value of the CARE package is deducted from the worker's pay;<sup>172</sup> thus through the "food-for-work" program the US government is indirectly subsidizing the employment of Palestinian workers by the military occupation government, and assisting the Israelis in their plans to restructure the labor force of Gaza. Under the "food-for-work" program CARE also distributes rations to women employed in sewing cooperatives, some of which are projects of the Israeli Ministry of Social Welfare designed to remove clients from the welfare rolls. One cooperative is contracted to make blue jeans for sale in Israel.

The remaining rations are divided among 66,410 Beduin in the Sinai for working on water supplies and roads. Some of this work has direct benefits for the military occupation.

Irene Beeson reported from the Sinai that

From time to time one comes across groups of Egyptians armed with brooms and spades, sweeping and shoveling in a desultory sort of way, keeping the road clear of sand, stones, nails and more lethal objects. 'They are beneficiaries of a CARE scheme,' a local inhabitant explained, 'a work-for-food project started since the war. Its object is to give work rather than charity to unemployed and refugee men.' 'It keeps the men busy,' he went on, 'and the road clear for the Israeli army, and costs only three Israeli lire a day per man. If an Israeli vehicle runs over a mine the men sweeping that particular stretch of road are held responsible.'<sup>173</sup>

The food is also used as incentive for the tribes to cooperate with the plans of the military government for Sinai, and a CARE report notes, "Efforts are being made to reward those tribes that work more with higher rations, and those whose work records are not so hot get less rations."<sup>174</sup>





## Agriculture

Israel is encouraging the export of Gaza's agricultural products to Europe: the hard currency the exports earn in Europe lessen Israel's balance of payments problem, for financially the Gaza Strip has been integrated with Israel. Between 1968 and 1969 there was an increase in fruits and vegetable shipped from Gaza to Europe of 55 tons to 124 tons.<sup>175</sup> Increases in production added to exports. "The most outstanding of these increases," the occupation authorities reported, "occurred with eggplants, whose yield increased from 300 tons in 1968 to 1,800 tons in 1969. The yield from eggplants grown under plastic protective covers increased from 150 tons in 1968 to 800 tons in 1969. Strawberries increased from only 2 tons in 1968 to 120 tons in 1969."<sup>176</sup> Vegetables for export were being grown under plastic protective covering by a partnership of a Gaza landowner and an Israeli, and by another partnership between an "Israeli" Arab and a Gaza farmer.<sup>177</sup> The vegetables were sold in Europe by an Israeli marketing agency.

Almost two-thirds of the agricultural products of Gaza are citrus fruit, and the production, especially for export, is increasing. About two-thirds of the earnings from citrus in Gaza come from exports to Europe, and most of the remainder from export to the West and East Banks, some of which is then re-exported to other Arab countries.<sup>178</sup> Gaza's citrus production is about one-tenth that of Israel.<sup>179</sup>

The citrus exported to Western Europe is marketed by the Israeli central Citrus Marketing Board.<sup>180</sup> Gaza fruit is providing commercial benefits to the Israeli citrus export as a whole, as the *Israeli Export and Trade Journal* suggested in regard to grapefruit in 1971:

Total exports for 1970 have exceeded substantially all goals set for it. . . . Two important factors account for this increase. . . . [The second is that] the Board received about 9,000 tons of grapefruit from the Gaza Strip in the last two months of the year, which helped ease the shortage. A higher-than-usual price was paid for this. Most of the Gaza fruit went to Italy, which buys only grapefruit from Israel.<sup>180a</sup>

## Industry

In July 1969 an Israeli Ministerial Committee on the occupied areas decided to establish an industrial and trade center in the northern part of the Strip.<sup>181</sup> The facility was built near the Erez barrier, symbolically on the border between Arab labor and Israeli capital. By 1971 there were 14 businesses in the area employing about 500 workers and another two enterprises were planned to employ 65 others.<sup>182</sup> In mid-1972 the Israeli press reported that all of the proprietors were Israelis and all the workers Palestinian Arabs, though the initial Arab entrepreneur, the cousin of the (former) mayor of Gaza, had leased two dunams on which to build a laundry. The industrialists had received loans of 40 to 50 percent of the invested capital from the government and "the owners of the enterprises are big companies like Koor and former bank managers and ex-officers who served in the Gaza Strip and elsewhere."<sup>183</sup>

Even outside the new industrial center Israeli investors are establishing independent businesses and partnerships with local residents. One of the two citrus packing houses opened

in Gaza since the 1967 war is owned by an Israeli,<sup>184</sup> and Israeli investors established a copper ingot plant in Gaza, using scrap metal gathered on the battlefields of Sinai by Beduin.<sup>185</sup> An Israeli became a partner in a Gaza wholesaling firm, and another in a company selling pesticides and fertilizers. Two Gaza bus companies entered a joint venture with Egged, the Israeli bus company, to provide transportation throughout the Gaza Strip.<sup>186</sup>

In addition, Gaza factories do a considerable amount of subcontracted work for Israeli industry. The value of plastic bags sewn in Gaza for Israeli businesses, for example, was put at IL 450,000 in 1970.<sup>187</sup> Gaza needlework plants were also subcontracted to fill orders for Israeli firms, including Kitan Dimona, Kadoorie, and Shihiba of Jaffa.<sup>188</sup>

## SINAI

The 23,000 square miles of the Sinai Peninsula which Israel seized from Egypt in the June War are nearly three times the size of pre-1967 Israel. Most of the Sinai is desert, and aside from the population of some towns along the seacoasts and Suez Canal, only 60-70,000 Beduin inhabit this land bridge between Africa and Asia, a trade route of historic importance.\*

The policy of the Israeli government seems to be a successful attempt to draw upon the reservoir of labor in Gaza but Israeli political leaders are in general agreement that the reservoir is filled to a dangerous level: the concentration of 325,000 refugees in Gaza with a history of spirited resistance constitutes an implicit threat to the Israeli occupation. Cabinet Minister Yigal Allon suggested that Jordan's King Hussein be required to resettle the Gaza refugees on the East Bank with Israeli aid, as part of a peace settlement.<sup>191</sup> But it is the concept of settling some of the Gaza refugees around El Arish, a small city south of Gaza on the Mediterranean coast, which seems to have had a practical effect on the pattern of occupation policies.

Sinai has generally been considered the captured territory Israel would be most willing to give up in the event of a peace settlement. However, the Sinai is providing important strategic raw materials and economic advantages to Israel, and is an important factor in making the occupation good business for the Israeli government.

## Labor and Industry

Shortly after becoming Prime Minister, Golda Meir asked the head of the Jewish Agency's Settlement Department, Dr. Ra'anan Weitz to draw up a plan for the resettlement of the Palestinian Arab refugees. He in turn commissioned a team of "experts" headed by Shimshon Carmel to submit a plan. The Weitz-Carmel proposal suggested the resettlement of 10,000 families from Gaza near El Arish, in a project

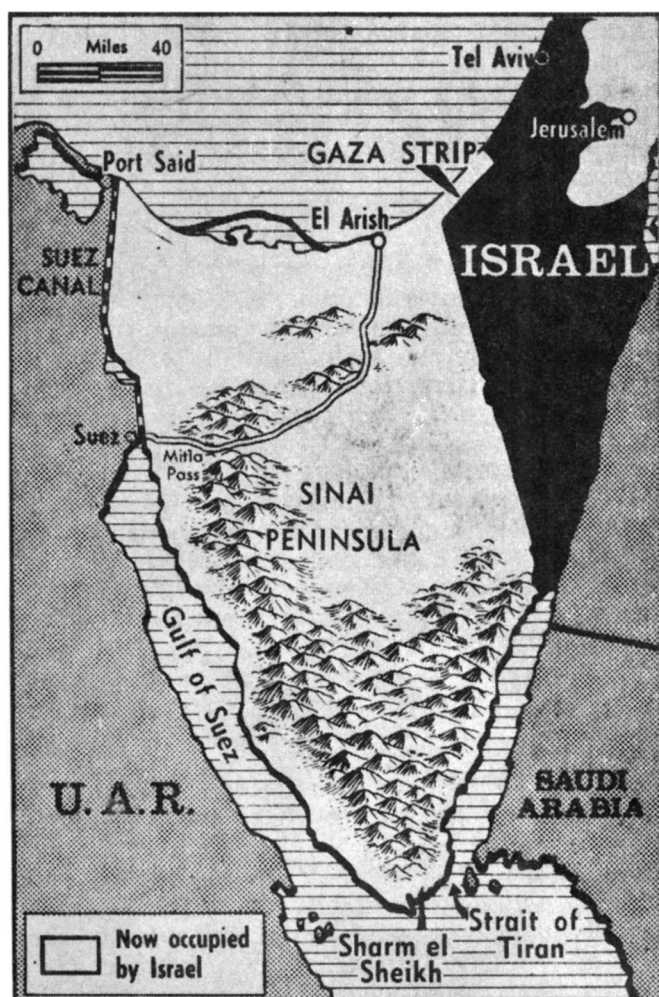
\* The occupation of Sinai has afforded significant advantages in transportation to Israeli businessmen. Before the 1967 war, flying from Israel to South Africa, the source of raw materials for polished diamonds, Israel's largest export, required a roundabout route on El Al to Turkey and Iran, thence to Johannesburg via Nairobi, and took 16 hours. The new direct route through Sinai takes only eleven and a half hours flying time.<sup>190</sup>

which would eventually encompass 100,000 persons.<sup>192</sup> The economic elements of the development project were quite like those of the actual economic plans for Gaza itself, including both agriculture and industry subservient to the Israeli economy:

The crops are to be mainly vegetables, flowers and fruit, of which only a small fraction is to be used for the farmers' own consumption, while most of it is to be marketed overseas (in Western Europe) or in the Arab markets or in Israel (for industrial processing). The industry is to be mainly small-scale textile, leather, food, cardboard and metal factories, working largely for jobbing orders from Israel. The industry is expected to be set up mainly -- if not exclusively -- by foreign investors (including partnerships with Israeli owners) and to draw skilled labor from outside.<sup>193</sup>

The plan was meant to provide both political and economic benefits for Israel, as the *Jerusalem Post* Economic Editor (who thought the proposal impractical) pointed out:

... the El Arish settlement scheme is expected not only to contribute to the country's economic development, to absorbing the Gaza Strip's surplus (unemployed) labour, and to advancing the people's welfare; it is also expected to create 'an independent communal structure' and thus provide an incentive and an opportunity for development of 'local leadership' from among the refugees themselves, diverting their intellectual and political energies from sterile animosity and terrorist activity to productive channels in cooperation with Israel.<sup>194</sup>



The Weitz-Carmel plan, or one similar to it, must have had some influence on the military occupation authorities, for when in the summer of 1971 they began to evict families and blow up their shelters in the refugee camps to build roads for "security purposes," the Israeli soldiers urged the people whose homes they destroyed to go to El Arish. UNRWA reported that the Israeli soldiers who arrived in the camps, sometimes in the middle of the night, to mark shelters for demolition gave the families 2 to 48 hours to leave with all their possessions, and strongly urged that they go to El Arish:

The refugees were told that there was good accommodation for them in El Arish, but that, if they preferred, they could go to the West Bank of Jordan or remain in Gaza if they could find unoccupied accommodation and produce the owner's written agreement for its use. They were also told that free transportation would be provided for those agreeing to go to El Arish or the West Bank of Jordan, that accommodation there would be rent-free for a period and employment was available. . . .<sup>195</sup>

In all, 14,704 refugees were displaced in the series of demolitions. Originally about 400 of the 2,400 evicted families went to El Arish, but 130 of these later returned to Gaza. Thirty families went to the West Bank.<sup>196</sup>

Not long after these refugees were thrown out of their shelters, the *Israel Economist* commented that an "immediate development of the labour force in the Sinai region. . . [was] to be provided by a furniture factory at Al Arish, the enterprise of an Israeli investor. This project and others in the town of Al Arish are expected to benefit from the influx of families evacuated from the Gaza Strip."<sup>197</sup> Israeli entrepreneurs have also established a salt-fish plant in El Arish, and a group of Israeli vegetable-oil companies took over a war-damaged castor-oil plant there and invested IL 100,000 in repairs.<sup>198</sup> The castor oil is for use by the Israeli chemical industry in the production of plastics, paints, insecticides and hydraulic oils.<sup>199</sup>

## Oil

Israel is pumping large amounts of oil from Egyptian wells seized in the Sinai.<sup>200</sup> Although the Israelis have not touched the Morgan and Garra oil fields, jointly operated by the American Oil Company and the Egyptian General Petroleum Corporation (probably because a US corporation is participating in the exploitation), they have confiscated 117 oil wells in the Sinai which had been jointly operated by the Italian ENI company and the Egyptian company. In 1971 these wells yielded about six million tons of oil worth approximately \$80 million to Israel. In the early 1970s the Sinai oil more than suffices for Israel's own needs of about five million tons a year and allows for some export. Israel has been reported to be marketing Sinai oil clandestinely in Europe<sup>201</sup> and requires the residents of the occupied areas to buy their oil from the Israeli monopoly.<sup>202</sup>

The oil wealth of the Sinai is especially valuable to Israel because its own pre-1967 war production was so meager, approximately 6 percent of domestic consumption in 1966. In the past Israel had been forced to rely on Iranian crude oil for most of its internal needs.



Estimates of the total oil reserves of Sinai are highly speculative, but the *Financial Times* put potential production at 40 million tons annually,<sup>203</sup> or nearly seven times production in 1971. There are also rich deposits of metals and gas condensate in the sea-beds of the Gulf of Aqaba and the Red Sea, and it is possible that Israel may exploit these in the future.

The oil confiscated from the wells of Sinai has been an important factor in making the military occupation of the conquered territories a profitable venture for the Israeli government treasury as well as for the capitalist class. According to figures released by David Kokhav, economic advisor to the Israeli Ministry of Security, the Israeli government made a net gain of IL 98 million on the occupation in 1971, or about \$28 million. Profits from the sale of Sinai oil, he said, were IL 110 million, and revenue from taxation and other sources was IL 236 million, while expenditures were only IL 248 million.<sup>204</sup>

## CONCLUSION

The Israeli occupation has had a great impact on all classes in the occupied areas. The lumpen of the refugee camps, many of them peasants who were dispossessed in 1947-1948, are being proletarianized. Along with some of the fellaheen of the West Bank who are being forced off the farm and the working class of the occupied areas, the refugees are being forced in large numbers into the Israeli proletariat. Although the new jobs have made some improvements in their standards of living, the Arab Palestinian workers in Israel are relegated to the lowest-paid unskilled and semi-skilled work, and suffer from severe discrimination.

The petite bourgeoisie has been adversely affected by the occupation. Small employers -- artisans, shopkeepers and small farmers -- are at least to some extent being forced into the working class, usually into jobs in Israel. Intellectuals and professionals, such as lawyers and persons with advanced academic degrees, are without employment: some for reasons of nationalist conviction will not work for the Israelis or the occupation, and even for those willing to work there are no opportunities for employment on a professional level in Israel for persons from the occupied areas.

Sectors of the industrial bourgeoisie are becoming compradors, subcontracting the workers in their plants to Israeli capitalists. Some are profiting from the occupation, through export incentives and other means, and may be able to expand their operations in the future with Israeli capital. But the Palestinian capitalists are gradually losing their independence: they must rely on Israeli financiers for credit, and because Israeli capitalists have been offered highly favorable conditions for investment in the occupied areas by the Israeli government, the Arab businessmen will have to share the opportunities for profit in the occupied areas with Israelis. Joint Israeli-Palestinian ventures are increasing in number.

The transformation of the national bourgeoisie into compradors and of the masses into workers for the metropolitan country are typical of an imperial pattern which has been repeated around the world. It matters little that neither the Israeli Cabinet nor the Knesset has made a formal decision to colonize

the occupied areas; that is the inexorable effect of the day-to-day policies of the military government. As Eliyahu Kanovsky observed:

Economic forces have a logic and momentum of their own. When Israel decided upon trade with the territories (with restrictions on the import of certain agricultural products), a common currency (in spite of the fact that it continued to permit the use of Jordanian currency in the West Bank, along with Israeli currency), the relatively free movement of population between Israel and the territories (with restrictions, difficult to enforce, on the use of unauthorized labor from the territories in Israel) and the integration of transportation routes between the territories and Israel's coastal plain, the results were inevitable. Regardless of the future political status of any or all of the territories, these were the beginnings of a common market.<sup>205</sup>

This "common market" is based not on equality between Israel and the occupied areas, but on a colonial relationship, marked by the factors -- the flooding of the colony's market with the manufactures of the metropole, the extraction of raw materials and the superexploitation of the colony's workers -- which have in the last two centuries enriched the bourgeoisie of the capitalist countries and forced the people of much of the non-industrialized world into subservience.

This colonialism threatens to spill over the "open bridges" to engulf the Arab East if a peace settlement were to be concluded, for Israeli leaders have said again and again that they will accept a peace only with open economic frontiers. The imposition of such a Pax Hebraica on the Middle East would prepare the way for the subimperial exploitation of the Arab people by Israel: subimperial because Israel itself is a ready instrument of US imperialism, and subimperial because such a system of exploitation would greatly reinforce US imperialism in the area by removing the contradictions between its client states and giving freer rein to Israel, its most reliable and effective agent.

<sup>1</sup> CONSTITUTION OF THE JEWISH AGENCY, art. 3, clause e, quoted in Sir John Hope Simpson, *PALESTINE: REPORT ON IMMIGRATION, LAND SETTLEMENT AND DEVELOPMENT*, British Colonial Office cmd. 3686, Oct. 1930, p. 53.

<sup>2</sup> Ibid.

<sup>3</sup> Denis Judd, *BALFOUR AND THE BRITISH EMPIRE* (London), p. 198.

<sup>4</sup> Head Office of Keren Kayemeth and Keren Hayesod, *A GUIDE TO JEWISH PALESTINE* (Jerusalem, 1930). Quoted by Simpson, p. 55.

<sup>5</sup> David Ben-Gurion, *ISRAEL: A PERSONAL HISTORY* (New York, 1971), p. 845.

<sup>6</sup> Robert Nathan, Oscar Gass and Daniel Creamer, *PALESTINE: PROBLEM AND PROMISE* (Washington, 1946), p. 150.

<sup>7</sup> Nathan, p. 152.

<sup>8</sup> Abraham Granovsky, *LAND PROBLEMS IN PALESTINE* (London, 1926), p. 18.

<sup>9</sup> Dr. Elwood Mead et al., *REPORTS OF THE EXPERTS*, submitted to the Joint Palestine Survey Commission (Boston, 1928), p. 34.

<sup>10</sup> Simpson, p. 42.

<sup>11</sup> Sabri Jiryis, *THE ARABS IN ISRAEL* (Beirut, 1969).

<sup>12</sup> Don Peretz, *ISRAEL AND THE PALESTINE ARABS* (Washington, 1956), pp. 143 and 146.

- <sup>13</sup> U.N. Security Council, OFFICIAL RECORDS, Suppl. 108 (S/949), Aug. 1948, pp. 106-109. Quoted by Erskine Childers, "The Wordless Wish: From Citizens to Refugees," in Ibrahim A'bu-Lughod, ed., THE TRANSFORMATION OF PALESTINE (Evanston, Ill., 1971), p. 195.
- <sup>14</sup> "U.S. Capital in Socialist Israel," FORTUNE (June 1950), p. 75.
- <sup>15</sup> Ibid. <sup>16</sup> Ibid. <sup>17</sup> Ibid. <sup>18</sup> Ibid.
- <sup>19</sup> "A Blue-print for Peace," VOICE OF ISRAEL (New York, 1957), p. 76.
- <sup>20</sup> "Nationalism and Internationalism in the Middle East," in Abba Eban, op. cit., p. 111.
- <sup>21</sup> There are, however, suggestions of colonialism in the treatment of Palestinian Arabs who remained in Israel. What was left of their agriculture was directed toward the production of labor-intensive crops, often for Israeli industry, and Arab workers tended to be forced into the lowest echelons of the Israeli proletariat.
- <sup>22</sup> Quoted by David Horowitz in "The Enigma of Israel's Economic Development," Bank of Israel, Research Department, ECONOMIC REVIEW, no. 39, (Aug. 1972), p. 131.
- <sup>23</sup> Calculated from figures in Israel Prime Minister's Office, Economic Planning Authority, ISRAEL ECONOMIC DEVELOPMENT: PAST PROGRESS AND PLAN FOR THE FUTURE, FINAL DRAFT (Jerusalem, March 1968), pp. 188-90.
- <sup>24</sup> Oscar Gass, JOURNAL OF ECONOMIC LITERATURE (Dec. 1969). Quoted by Moshe Machover and Akiva Orr, "The Class Character of Israeli Society," in Arie Bober, ed., THE OTHER ISRAEL (New York, 1972), p. 94.
- <sup>25</sup> Nadav Halevi and Ruth Klinov Malul, THE ECONOMIC DEVELOPMENT OF ISRAEL (New York, 1968), table 59, p. 158.
- <sup>26</sup> NEW YORK TIMES (Nov. 7, 1971), p. 9.
- <sup>27</sup> In THE OTHER ISRAEL.
- <sup>28</sup> Halevi and Malul, loc. cit. and Appendix tables 11 and 12, pp. 298-9.
- <sup>29</sup> Horowitz, p. 131.
- <sup>30</sup> Fanny Ginor, USES OF AGRICULTURAL SURPLUSES: Analysis and Assessment of the Economic Effect of the U.S. P.L. 480 Title 1 Program in Israel, Bank of Israel, Research Department (Jerusalem, 1963), pp. 5 and 7.
- <sup>31</sup> ARAB REPORT AND RECORD (March 1-15, 1972), p. 128.
- <sup>32</sup> CHRISTIAN SCIENCE MONITOR (May 3, 1973), p. 13.
- <sup>33</sup> Clyde Farnsworth, "Israel: The Impossible" in NEW YORK TIMES (Nov. 7, 1971).
- <sup>34</sup> See for example, ISRAEL ECONOMIC DEVELOPMENT, p. 145 ff.
- <sup>35</sup> S. Hirsch, "Anatomy of Five Export Industries in Europe and Israel," ISRAEL QUARTERLY OF ECONOMICS, vol. 1 no. 1 (Winter 1971-1972), p. 71.
- <sup>36</sup> Ibid. According to Israel's Minister of Agriculture Haim Gvati the country is in danger of running out of water in five to ten years. NEW YORK TIMES (July 11, 1971).
- <sup>37</sup> Hirsch, p. 72. <sup>38</sup> Ibid. <sup>39</sup> Ibid.
- <sup>40</sup> Michael Bruno, ECONOMIC DEVELOPMENT PROBLEMS OF ISRAEL, 1970-1980 (RAND, April 1970), p. 51.
- <sup>41</sup> Hirsch, p. 71.
- <sup>42</sup> Bruno, p. 54.
- <sup>43</sup> Africa Research Group, DAVID AND GOLIATH, available from MERIP.
- <sup>44</sup> Bruno, p. 59.
- <sup>45</sup> Farnsworth, NEW YORK TIMES (Nov. 7, 1971).
- <sup>46</sup> KOL ISRAEL radio broadcast (Nov. 9, 1969).
- <sup>47</sup> Ben-Gurion, pp. 837-8.
- <sup>48</sup> Ibid., p. 839 <sup>49</sup> Ibid., p. 837.
- <sup>50</sup> KOL ISRAEL radio broadcast (April 29, 1971).
- <sup>51</sup> According to the figures of the Israel Central Bureau of Statistics, 65 percent of the population of Israel and the occupied areas together was Jewish in 1971.
- <sup>52</sup> Abraham S. Becker, ISRAEL AND THE PALESTINIAN OCCUPIED TERRITORIES: MILITARY-POLITICAL ISSUES IN THE DEBATE, a report prepared for the Office of the Assistant Secretary of Defense for International Security Affairs (RAND, 1971), p. 53.
- <sup>53</sup> MA'ARIV (Feb. 2, 1973), translated in ISRAELEFT NEWS SERVICE (Feb. 15, 1973).
- <sup>54</sup> JERUSALEM POST (Feb. 14, 1973). See also interview with Ben-Aharon in NEW YORK TIMES (Feb. 15, 1973).
- <sup>55</sup> NEW YORK TIMES (May 5, 1973), p. 8.
- <sup>56</sup> DAVAR (March 7, 1973), translated in ISRAELEFT NEWS SERVICE (April 3, 1973), p. 7.
- <sup>57</sup> Becker, p. 51. <sup>58</sup> Ibid., pp. 56-75.
- <sup>59</sup> JERUSALEM POST WEEKLY (Jan. 16, 1973), p. 3.
- <sup>60</sup> YEDIOT AHARONOT (Jan. 3, 1973), translated in ISRAELEFT (Feb. 15, 1973), p. 9.
- <sup>61</sup> Moshe Dayan, A NEW PEACE AND OTHER RELATIONS (Hebrew), p. 137. Quoted by Becker, pp. 58-9.
- <sup>62</sup> NEW YORK TIMES (June 3, 1969), p. 11.
- <sup>63</sup> Becker, p. 64.
- <sup>64</sup> Eliyahu Kanovsky, THE ECONOMIC IMPACT OF THE SIX-DAY WAR (New York, 1970), p. 198.
- <sup>65</sup> NEW YORK TIMES (Oct. 16, 1969).
- <sup>66</sup> ISRAEL ECONOMIST (Jan. 1972), p. 25.
- <sup>67</sup> Kanovsky, p. 200.
- <sup>68</sup> Unit for Coordination of Activity in the Administered Areas, Israel Ministry of Defense, DEVELOPMENT AND ECONOMIC SITUATION IN JUDEA, SAMARIA, THE GAZA STRIP AND NORTH SINAI; 1967-1969, A SUMMARY (Oct. 1970), Unpaged.
- <sup>69</sup> Ibid.
- <sup>70</sup> Eric Rouleau, "The Palestinians in Purgatory," LE MONDE (Jan. 9, 1973).
- <sup>71</sup> Ibid.
- <sup>72</sup> "Foreign Trade Summary," Israel Central Bureau of Statistics, MONTHLY STATISTICS OF THE ADMINISTERED TERRITORIES, Vol. 1 no. 1 (Jan. 1971).
- <sup>73</sup> JERUSALEM POST OVERSEAS WEEKLY (April 3, 1973), p. 5.
- <sup>74</sup> DEVELOPMENT AND ECONOMIC SITUATION. . .
- <sup>75</sup> Figures for 1967-1971 from Israel Central Bureau of Statistics. These include only persons working "legally" in Israel. Figure for 1973 from Rouleau, who quotes a spokesman from the Ministry of Defense. This figure may include "illegal" workers.
- <sup>76</sup> NEW OUTLOOK (Oct. 1968), p. 54.
- <sup>77</sup> Israel Central Bureau of Statistics, MONTHLY BULLETIN OF STATISTICS, vol. 33, no. 1 (Jan. 1972) and vol. 34, no. 2 (Jan. 1973), "Daily Average Unemployed in Israel."
- <sup>78</sup> JERUSALEM POST OVERSEAS WEEKLY (Jan. 9, 1973), p. 11.
- <sup>79</sup> HA'ARETZ (July 10, 1968). Quoted by Ben-Horin, "Israel: A New South Africa?" FREE PALESTINE (London, Oct. 1968), p. 5.
- <sup>80</sup> Computed from MONTHLY BULLETIN OF STATISTICS (Jan. 1973), Table K2, "Employee Posts, Total Wages and Monthly Average Wage Per Employee Post," figures for Sept. 1972.
- <sup>81</sup> Letter from Eli Mayslish, Petah Tikvah, to HA'ARETZ (May 15, 1969), translated in ISRACA, no. 2 (June-July 1969), p. 8.
- <sup>82</sup> KOL ISRAEL radio broadcast (Nov. 9, 1968).
- <sup>83</sup> YEDIOT AHARONOT (Oct. 6, 1972), translated in ISRAELEFT (Nov. 6, 1972), p. 2.

- <sup>84</sup> Rony Gabbay, *A POLITICAL STUDY OF THE ARAB-JEWISH CONFLICT: THE ARAB REFUGEE PROBLEM* (Geneva, 1959), pp. 169, 179.
- <sup>85</sup> Jane Hacker, *MODERN AMMAN: A SOCIAL STUDY* (Durham, N. C., 1960).
- <sup>86</sup> Computed from statistics in Coordinator of Government Operations in the Administered Territories, Ministry of Defense, *FOUR YEARS OF MILITARY ADMINISTRATION, 1967-1971: DATA ON CIVILIAN ACTIVITIES IN JUDEA AND SAMARIA, THE GAZA STRIP AND NORTHERN SINAI*, pp. 19-20.
- <sup>87</sup> *FOUR YEARS* . . . , p. 20.
- <sup>88</sup> *HA'ARETZ* (Aug. 3, 1972), translated in *ISRAELEFT* (Sept. 13, 1972), p. 5.
- <sup>89</sup> *FOUR YEARS* . . . , 20      <sup>90</sup> *Ibid.*, p. 21.
- <sup>91</sup> Rouleau, op. cit. *HA'ARETZ* reported that "In Beit Lechem small workshops close down because of lack of working hands and their owners join those looking for earnings within the Green Line. About a year and a half ago, hundreds of inhabitants of Beit Lechem and its vicinity became sub-contractors for the Israeli industry." (Dec. 6, 1971), Quoted in "Pre-Congress Material for the XVII Congress of the Communist Party of Israel," *INFORMATION BULLETIN*, Communist Party of Israel, Special Number (Tel Aviv, no date), pp. 65-6.
- <sup>92</sup> *FOUR YEARS* . . . , p. 22      <sup>93</sup> *Ibid.*, p. 20
- <sup>94</sup> *HA'ARETZ* (Feb. 2, 1973), translated in *KNOW* (March 8, 1973).
- <sup>95</sup> *DEVELOPMENT AND ECONOMIC SITUATION* . . .
- <sup>96</sup> *FOUR YEARS* . . . , p. 77.      <sup>97</sup> *Ibid.*, p. 21
- <sup>98</sup> *Ibid.*, p. 76.
- <sup>99</sup> Computed from figures in Coordinator of Government Operations in the Administered Territories, Ministry of Defense, *THREE YEARS OF MILITARY GOVERNMENT, 1967-1970: CIVILIAN ACTIVITIES IN JUDEA AND SAMARIA, THE GAZA STRIP AND NORTHERN SINAI* (June, 1970), p. 15 and *FOUR YEARS* . . . , p. 77.
- <sup>100</sup> *ISRAEL ECONOMIST* (Oct. 1971), p. 319.
- <sup>101</sup> *THREE YEARS* . . . , p. 17.      <sup>102</sup> *Ibid.*, p. 18
- <sup>103</sup> *DEVELOPMENT AND ECONOMIC SITUATION* . . .
- <sup>104</sup> *THREE YEARS* . . . , p. 17
- <sup>105</sup> *FOUR YEARS* . . . , p. 76.      <sup>106</sup> *Ibid.*, p. 20
- <sup>107</sup> "Pre-Congress Material. . . , " p. 65.
- <sup>108</sup> Ann Mosely Lesch, *ISRAEL'S OCCUPATION OF THE WEST BANK: THE FIRST TWO YEARS* (Master's Thesis, Columbia University, 1969), p. 34.
- <sup>109</sup> *JERUSALEM POST* (Oct. 22, 1967).
- <sup>110</sup> Israeli Ministry of Agriculture, *ACTIVITIES IN JUDEA AND SAMARIA: JUNE 1967 TO JANUARY 1970* (no date).
- <sup>111</sup> *Ibid.*
- <sup>112</sup> Aryeh Sheskin, "Post-War Economics of the West Bank," *NEW OUTLOOK* (October, 1969), p. 21.
- <sup>113</sup> Israeli Ministry of Agriculture, *JUDEA, SAMARIA AND THE WEST BANK: AGRICULTURAL DEVELOPMENT PLANS FOR 1969-1970*.
- <sup>114</sup> *THREE YEARS* . . . , p. 27.
- <sup>115</sup> *FOUR YEARS* . . . , p. 44.
- <sup>116</sup> *THREE YEARS* . . . , p. 24, and *FOUR YEARS* . . . , p. 44.
- <sup>117</sup> *THREE YEARS* . . . , p. 24.
- <sup>118</sup> *THREE YEARS* . . . , pp. 24-25, and *FOUR YEARS* . . . , pp. 40-41.
- <sup>119</sup> *THREE YEARS* . . . , p. 24.      <sup>120</sup> *Ibid.*, pp. 22 and 24.
- <sup>121</sup> *AGRICULTURAL DEVELOPMENT PLANS* . . . , p. 2.
- <sup>122</sup> *Ibid.*, p. 3.
- <sup>123</sup> Zahi Harkabi, "Aran Agriculture in Israel Today," *INFORMATION BULLETIN*, Communist Party of Israel (Oct.-Nov. 1971).
- <sup>124</sup> *JERUSALEM POST OVERSEAS WEEKLY* (Jan. 9, 1973), p. 13.
- <sup>125</sup> *HA'ARETZ* (March 16, 1973), translated in *ISRAELEFT* (April 3, 1973), p. 13.
- <sup>126</sup> Haim Ben Shahr, Eitan Berglas, Yair Mundlak and Ezra Sadan, *ECONOMIC STRUCTURE AND DEVELOPMENT PROSPECTS OF THE WEST BANK AND THE GAZA STRIP* (RAND, Sept. 1971), p. 126.
- <sup>127</sup> Computed from figures in *THREE YEARS* . . . , pp. 31-2.
- <sup>128</sup> *FOUR YEARS* . . . , p. 54.
- <sup>129</sup> *THREE YEARS* . . . , p. 32.
- <sup>130</sup> *JERUSALEM POST OVERSEAS WEEKLY* (Feb. 7, 1969), p. 7.
- <sup>131</sup> *HA'ARETZ* (Aug. 11, 1968), translated in *ISRAC* (May 1969)
- <sup>132</sup> *JERUSALEM POST* (April 9, 1973), p. 1.
- <sup>133</sup> *Ibid.*, (April 11, 1973), p. 2.
- <sup>134</sup> *Ibid.*, (April 9, 1973), p. 1.
- <sup>135</sup> *JERUSALEM POST OVERSEAS WEEKLY* (Jan. 1, 1973), p. 7.
- <sup>136</sup> *HA'ARETZ* (Oct. 9, 1972), translated in *ISRAELEFT* (Oct. 18, 1972), p. 8.
- <sup>137</sup> *ISRAELEFT* (October 18, 1972), pp. 8-9.
- <sup>138</sup> *JERUSALEM POST* (October 9, 1972).
- <sup>139</sup> *THE ISRAEL INVESTORS MANUAL* cited by *ISRAELEFT* (October 8, 1971), p. 8.
- <sup>140</sup> *ISRAEL ECONOMIST* (Jan. 1973), p. 20
- <sup>141</sup> *FOUR YEARS* . . . , p. 56.      <sup>142</sup> *Ibid.*      <sup>143</sup> *Ibid.*
- <sup>144</sup> The total here differs from the original table, where the addition seems to have been incorrect.
- <sup>145</sup> Don Peretz, *THE PALESTINE ARAB REFUGEE PROBLEM* (RAND, 1969), p. 23.
- <sup>146</sup> *REPORT OF THE COMMISSIONER-GENERAL OF THE UNITED NATIONS WORKS AND RELIEF AGENCY*, General Assembly (27th Session, Suppl. no. 13 [A/8713]), p. 76.
- <sup>147</sup> *MA'ARIV* (Feb. 9, 1973), p. 2, translated in *KNOW* (March 8, 1973), p. 7.
- <sup>148</sup> *FOUR YEARS* . . . , pp. 145-6.
- <sup>149</sup> *ISRAEL ECONOMIST* (Jan. 1973), p. 13.
- <sup>150</sup> *FOUR YEARS* . . . , p. 151.      <sup>151</sup> *Ibid.*, p. 148
- <sup>152</sup> *Ibid.*, p. 149.
- <sup>153</sup> *CHRISTIAN SCIENCE MONITOR* (April 2, 1973), p. 2.
- <sup>154</sup> Peter Mansfield, "News Out of Israel," *MIDDLE EAST INTERNATIONAL* (Dec. 1972), p. 25, citing *DAVAR* (Oct. 22, 1972).
- <sup>155</sup> *FOUR YEARS* . . . , p. 149.      <sup>156</sup> *Ibid.*
- <sup>157</sup> *JERUSALEM POST* (April 19m 1973), p. 3.
- <sup>158</sup> *HA'ARETZ* (July 30, 1972), translated in *ISRAELEFT* (Sept. 13, 1972), p. 2.
- <sup>159</sup> *HA'ARETZ* (Aug. 3, 1972), translated in *ISRAELEFT* (Sept. 13, 1972), p. 3.
- <sup>160</sup> *YEDIOT AHARONOT* (Aug. 9, 1972), translated in *ISRAELEFT* (Sept. 13, 1972), p. 6.      <sup>161</sup> *Ibid.*
- <sup>162</sup> *FOUR YEARS* . . . , p. 149.      <sup>163</sup> *Ibid.* p. 150.
- <sup>164</sup> *Ibid.*, p. 162.      <sup>165</sup> *Ibid.*, p. 163.
- <sup>166</sup> *Ibid.*, p. 164.
- <sup>167</sup> Interview by the author, UNRWA Vocational School, Gaza (June 26, 1971).
- <sup>168</sup> *THREE YEARS* . . . , p. 18.
- <sup>169</sup> Much of this material on CARE, Inc. was supplied by the public relations department of CARE in New York (March 26, 1973).

(continued on pg. 28)



Most of the Council's members, among them Jordan's ex-Defense Minister Anwar Nusseiba and Jerusalem's ex-Governor Anwar El-Halib are known to be pro-Jordanian. Although the statement does not specifically state that the Palestine Liberation Organization should be the representative of the Palestinian people, it has been generally interpreted that way. In addition, both *al-Shaab* and *I-Quds*, Arab East Jerusalem papers, welcomed the conference decisions. This was a notable step for papers whose policy has hitherto been quite cautious.

Guerrilla warfare has been renewed also. A hand grenade was thrown at the car of Col. Eliezer Segev, governor of Nablus. Segev and another soldier were wounded. There was a bomb explosion in Jerusalem and another on a Tel-Aviv bus. Other activities consisted of distributing anti-Israeli leaflets, scattering nails on roads and throwing stones at army vehicles.

The Israeli government has responded with arrests and a number of deportations. Following the Segev incident, tens of merchants and others were arrested in Nablus. On December 10th, a number of West Bank Palestinians were expelled. Escorted across the Jordan river and left in Jordanian territory, they were accused of "inciting to undermine security, law and order and to undermine normal life." A considerable number of arrests appear to have been made. Among those taken into custody was the mayor of al-Birun who was charged with "seditious activities." Over 100 other suspected "terrorists" were arrested in Tulkarm, Jenin and Nablus.

(Sources: *Israeleft* No. 30; *Middle East Sketch* 12/21/73; *Arab World Weekly*, Nov. 1 - 15, 1973)

## PHASE-OUT OF KAGNEW BASE

The US's Kagnew communications base in Eritrea will be phased out by July 1974, according to the Ethiopian and US governments.

Kagnew relayed US military and diplomatic radio signals, tracked satellites and monitored radio transmissions in Africa, the Middle East and parts of Europe and Asia. Intelligence experts at the base deciphered and analyzed messages intercepted from Arab countries and Eastern Europe.

This last function made the Kagnew base an especially controversial issue, and at the last meeting of the Organization of African Unity Libya attacked the Ethiopian government for allowing the base on its soil. The activities of some of the 3200 Americans there were also related to US military aid for the Ethiopian government -- including its efforts to suppress Eritrean liberation forces. It is also widely believed that the intelligence gathered from the base is turned over to Israel.

The US decided to abandon Kagnew because its equipment is now obsolete. A new base has been built on the British island of Diego Garcia in the Indian Ocean. A secondary reason for the decision to move to the thinly populated island was the small but growing number of American advisors and technicians killed or wounded by the Eritrean Liberation Front.

(continued from pg. 24)

170 CARE-ISRAEL REPORT FOR FISCAL 1972-1973 (typescript).

171 Ibid.

172 THREE YEARS . . . , p. 28.

173 DAILY STAR (Beirut), March 15, 1970.

174 Ibid.

175 THREE YEARS . . . , p. 67. 176 Ibid. pp. 96-7.

177 Kanovsky, p. 180. 178 FOUR YEARS . . . , p. 153.

179 Kanovsky, p. 180.

180 ISRAEL EXPORT AND TRADE JOURNAL (Dec. 1972 Jan. 1973), p. 22.

180a Ibid. (Jan. 1971), p. 26.

181 THREE YEARS . . . , p. 87. 182 FOUR YEARS . . . , p. 173.

183 HA'ARETZ WEEKLY SUPPLEMENT (June 16, 1972), p. 10, translated in KNOW (Aug. 31, 1972), p. 5.

184 Kanovsky, p. 180.

185 JERUSALEM POST OVERSEAS WEEKLY (Feb. 17, 1969), 1. 7.

186 Kanovsky, p. 187.

187 FOUR YEARS . . . , p. 176.

188 JERUSALEM POST WEEKLY (Feb. 17, 1969), p. 7.

190 Kanovsky, p. 60.

191 Becker, p. 30.

192 JERUSALEM POST OVERSEAS WEEKLY (Aug. 11, 1969), p. 11.

193 Ibid.

194 Ibid.

195 SPECIAL REPORT OF THE COMMISSIONER-GENERAL OF THE UNITED NATIONS RELIEF AND WORKS AGENCY IN THE NEAR EAST ON THE EFFECT ON PALESTINIAN REFUGEES OF RECENT OPERATIONS CARRIED OUT BY ISRAELI MILITARY AUTHORITIES IN THE GAZA STRIP (Sept. 17, 1971, 27th Session, Item 41a of the Provisional Agenda [A/8383]).

196 SUPPLEMENT TO THE SPECIAL REPORT OF THE COMMISSIONER-GENERAL OF THE UNRWAPRNE ON THE EFFECT ON PALESTINE REFUGEES OF OPERATIONS CARRIED OUT IN JULY AND AUGUST 1971 BY THE ISRAELI MILITARY AUTHORITIES IN THE GAZA STRIP (November 23, 1971).

197 ISRAEL ECONOMIST (Oct. 1971), p. 319.

198 JERUSALEM POST OVERSEAS WEEKLY (Feb. 17, 1969), p. 7.

199 Kanovsky, p. 195.

200 The material on Sinai oil is taken from Elias Shoufani's very useful article, "The Sinai Wedge," JOURNAL OF PALESTINE STUDIES, vol 1, no. 3 (Spring 1972).

201 JERUSALEM POST OVERSEAS WEEKLY (Dec. 14, 1971), p. 15.

202 FOUR YEARS . . . , p. 38.

203 FINANCIAL TIMES (Feb. 28, 1968).

204 Peter Mansfield, p. 26.

205 Kanovsky, p. 186.