

## **5. Economic Aspects of the Intifada**

### **Introduction**

One of the main aims of civilian-based resistance to occupation must be to impose such a cost on the occupier as to make the option of withdrawal more attractive than maintaining the occupation. Likewise, the aim of any occupying force must be to impose, or threaten to impose, such a punitive cost upon those civilians who dare to resist their rule that any attempt to launch such a struggle is still-born or aborted. One of the key areas in which this battle can take place is in the economic sphere. The purpose of this chapter is to examine the nature of this economic struggle in the Palestinian Uprising.

### **The economic background**

After Israel occupied the West Bank and Gaza Strip in 1967 it sought to integrate the territories into the economy of Israel. As Salim Tamari has pointed out,<sup>1</sup> it pursued this aim through three main processes. 1) It began to restructure the transport and communications network in order to physically integrate the occupied territories with the state of Israel. This process also included restructuring the water and electricity grids so that Palestinians became dependent upon Israeli-controlled public utilities. 2) The Israeli labour market was opened up to Palestinian labour, at the same time as obstacles were created to prevent the development of indigenous sources of employment in the occupied territories. 3) The integration of markets was the third mechanism, with the result that the occupied territories became captive markets for Israeli industrial and agricultural products. By the 1980s nearly 90 per cent of all goods imported into the territories came from Israel. At the same time Palestinian products were denied free access to Israeli markets. The result of these three processes was to render the population of the occupied territories economically dependent upon Israel, a situation that constituted a fundamental basis for Israel's political control of the territories. Once that control was challenged with the outbreak of the Intifada in December 1987, a serious attempt was also made to erode the economic foundation of the occupation.

### **The early days of nonviolent "blitzkrieg"**

During the first few weeks of the Uprising its character resembled what Gene Sharp has termed a "nonviolent blitzkrieg" -- a massive display of defiance and near-total noncooperation with the Israeli occupiers. It was a period of almost complete economic shut-down, the paralysis of everyday economic life caused by general strikes and "stay-at-homes" by employees that accompanied the daily demonstrations and street confrontations. The result was that both sides in the struggle suffered severe economic dislocation.

Prior to the Intifada some 110,000 Palestinians from the occupied territories travelled to work in Israel each day, some 60,000 from the Gaza Strip and the remainder from the West Bank. During the first few weeks of the Uprising it was estimated that up to 70 per cent of this number failed to attend for work, either because they were responding to general strike calls, could not attend because their homes were under curfew, or because the buses on which they travelled had been fire-bombed, or they had been intimidated in some way or another. The consequences were felt immediately within Israel, particularly by the agricultural sector. The Uprising coincided with the citrus harvest; Palestinians normally constituted one third of the workforce for picking and packing the fruit. There were reports that the Israeli agricultural marketing body Agrexo lost \$500,000 during December 1987 and January 1988 as a result of not being able to fulfil orders for the British market.<sup>2</sup> In response Israel threatened to stop workers who had participated in the strikes from travelling into Israel, and a number of workers were sacked from their jobs. Attempts were made to recruit high school students for the citrus harvest, guest workers were recruited from the Israeli controlled "security zone" of southern Lebanon, and work permits were issued for labourers from southern Europe and Cyprus. A large proportion of Palestinians worked as day labourers on construction sites in Israel, and their absence from work caused severe disruption to building projects. There were reports of construction sites in Jerusalem offering Jewish workers double the normal wages of Palestinian labour in a vain attempt to attract replacement labour.

Alongside the withdrawal of labour in response to calls for general strikes, there was also a call during the first week of January 1988 for Palestinians to boycott Israeli products in general, and in particular for people to boycott those Israeli products for which Palestinian alternatives were available.<sup>3</sup> According to an army-commissioned report published towards the end of January the loss in sales and production had cost the Israeli economy some £28 million. The loss of markets in the occupied territories was particularly serious for many of the small enterprises in Israel — the sale of textiles, food products and soap powders was particularly badly hit.<sup>4</sup>

However, the Palestinian economy was also suffering. As one observer commented after the first six weeks of the Uprising:<sup>5</sup>

the economic effects of the continued unrest in the West Bank and Gaza have been far more devastating for the Palestinian population of these territories than for the Israelis. Many Palestinians have found themselves without any form of income for weeks.

It was estimated that Palestinian industry, although not occupying a major role in the economy of the occupied territories, had suffered a drop of between 25-30 per cent in sales as a consequence of the first months of the Intifada. However the drop in demand consequent upon consumers having reduced disposable income was offset to some degree by the increased purchase of local, Palestinian products in reference to Israeli ones. Indeed, some com-

panies, such as the Jneidi Dairy products factory in Hebron, recorded improved sales due to the boycott of Israeli products.<sup>6</sup>

The pressure on the Palestinian economy appeared likely to intensify in March 1988 when the ninth leaflet from the unified command of the Uprising called on all those Palestinians working for the Israelis in the occupied territories to resign "and stop betraying their people". It has been estimated that somewhere in the region of 17,000 Palestinians were at that time in receipt of wages and salaries from the Israelis for their work in the police force and the various wings of the "civil administration". Whilst the mass resignation of all these workers would have represented a most powerful symbolic victory for the leadership of the Uprising, it would also have been a severe economic blow to all those families and households who would have been deprived of their major source of their income. As it was, a number of tax officials and other workers with the civil administration resigned, along with the majority of the police officers. However, it seems clear that the leadership of the Uprising realised that their call for mass resignations was premature, just as it was unrealistic to expect each and every Palestinian who normally worked in Israel to stay at home. Particularly for the people of the Gaza Strip, the majority of them living in refugee camps, without any other source of income, the day labour in Israel was an economic necessity. It was apparent that if the Uprising was to be sustained, the period of the "economic blitzkrieg" needed to be curtailed. Modes of struggle had to be developed that could be maintained over time, methods of resistance generated that, whilst imposing costs on the occupier, would limit the hardship and suffering incurred by the civil population, who were being called upon to make the sacrifices necessary for ultimate victory.

Thus it was that from March 1988 onwards the nature of the resistance began to take on new forms. The struggle appeared to be less intense at the surface level. The aim was, however, for the attitude and practice of resistance to become so deeply embedded in people's everyday way of life that it would become "second nature", and as such sustainable for "as long as necessary". This was particularly apparent with regard to the demands made of business and the retail distribution sector of the Palestinian economy.

## **Business and commerce in the Intifada**

One of the most important things to which any visitor to the occupied territories during the Intifada had to become accustomed was the opening hours of the shops and stores. Except on general strike days and special occasions when shopping hours were lengthened, the stores have opened for only three hours each morning. I recall the weird experience of visiting East Jerusalem for the first time since the outbreak of the Uprising: from nine o'clock until mid-day the streets were busy and the shops appeared to be doing good business. At 12.00 the stores closed, the streets started to empty, and within a few hours they were almost deserted. This daily closure of the shops after three hours trading, interspersed with total closure on general strike days,

became a major symbol of the struggle taking place between the Palestinians and the Israeli state.

During the first few weeks of the Uprising virtually every day was a general strike day. The response of the security forces was to try and force the shops to open, breaking the locks of those that were closed. A variant of this was to weld shut the doors of shops closed in response to strike calls. The costs of this "blitzkrieg" of commercial strikes was heavy. As one observer remarked at the end of January 1988, "The total commercial strikes in key business centres like Nablus, Ramallah and East Jerusalem have ... left many Palestinian merchants on the brink of bankruptcy."

Realising that such a level of resistance could not be maintained, the unified command of the Uprising stipulated that traders might remain open for three hours each morning. What followed was a struggle for control over the closing hours of shops and businesses, a struggle of great symbolic significance. For the leaders of the Uprising the closure of the shops each day demonstrated to the Israelis that the situation was not normal, and that the unified command was in control of the situation rather than the Israelis.

In order to assert their claim and demonstrate their capacity to control all aspects of life in the territories, the Israeli authorities adopted a number of counter-measures. One tactic was to announce that shops were only to trade in the afternoons. They then sought to close those shops trading in the mornings. The result was that in a town like Nablus during the month of March 1988 the shops were closed for over a week, as the battle of wills between the Israeli Defence Force (IDF) and the young strike forces of the Uprising was fought out.

A key feature of the Israeli response to such acts of defiance of their authority as the closure of stores in the afternoons was to focus attention upon one particular shopping area or town, attempting to break the resistance of that particular target group, and thereby intimidate all other storekeepers into compliance with their will, seeking to make an example of a few as a salutary lesson for the many. Thus, towards the end of April 1988 14 merchants in East Jerusalem were arrested and charged with disobeying military orders to open their stores.<sup>8</sup> In May 1988 the Israelis adopted another counter-measure. They announced that stores would be compulsorily closed for three days for each day that they answered the call for a general strike.

In such ways the Israelis sought to impose an economic and financial burden on those merchants and traders who actively displayed their solidarity with the Uprising. The Israelis hoped that they could thereby break the resistance of these "front-line forces" who persisted in presenting such a visible and public display of the vitality of the Uprising. The "defeat" of the traders would represent a powerful symbolic blow to the Palestinians within the occupied territories.

There can be no doubt that shopkeepers, traders and small businesses have suffered financially as a consequence of the Uprising, and there have been many bankruptcies. During the first year this was due more to the fall off in consumer demand than to Israeli sanctions. By the second year of the

Uprising, the punitive tax burden imposed by Israel began to take a greater toll. Some Palestinian economists have estimated that during the first year of the Intifada there was a decline in consumer expenditure within the occupied territories of some 40 per cent. A number of businesses suffered terminal damage — especially those dealing in luxury items, electrical goods, furniture and the like: non-essentials that people were obliged to do without in a siege situation. The order of the day was to “tighten one’s belt” and confine purchases to basic needs. However, the majority managed to survive. The reduction in opening hours resulted in an intensification of business during the time the shops were open. Whilst income from sales declined, so did costs and overheads. Moreover, despite the “official” restrictions on trading hours, merchants found ways of extending them. Some converted their homes into storehouses and sales areas. Garages continued to repair vehicles behind closed doors. Furthermore, the poorest traders, the street vendors, were exempted from the daily strike calls. Bakers and pharmacists were also allowed to remain open by the leadership, albeit on a rota basis, in order to maintain a supply of essential food and medical requirements for the population — the UNC feeling obliged to remind such retailers on occasion that they were to confine their sales during such times to basic essentials.

One of the key aims of any occupying force must be to focus their attention upon the most vulnerable sections of the society, hoping that by fracturing the “weakest link” they might thereby break the chain of resistance. This is what Israel tried to do with regard to the commercial sector in the occupied territories. However, any trader who felt tempted to place their economic interests above compliance with the collective will risked the prospect of having their premises fire-bombed by the local strike forces. The dilemma faced by many in the business sector was brought home to me in a conversation with a wealthy merchant from Nablus, who recalled an exchange he had with a youth who was instructing him to abide by the new “winter time” closing hours, which entailed closing the shop an hour earlier than in the summer months. When the businessman complained that this would seriously affect his business, the reply came: “We are prepared to give up our lives for the struggle, is it too much to ask you to give up some of your profits?”

## The tax war

It has been the merchants who have borne the brunt of the struggle over taxes that has been an enduring feature of the Uprising.<sup>9</sup> Early in 1988 the leadership of the Uprising called upon Palestinians to refuse to meet the Israeli tax demands, as part of the overall strategy of disengagement from the occupying power and its “civil administration”. At the same time an alternative taxation system was being developed, with popular committees collecting money and supplies from those that could afford to give for distribution amongst the needy.<sup>10</sup>

It has been estimated that Israel collected some \$160 million in tax revenue from the West Bank in 1987.<sup>11</sup> One can thus understand the vigour with which they sought to break the tax strike — both for financial reasons and in order to assert their power over the occupied population. Various tactics and measures were adopted in pursuance of this goal. Stores were raided, identity cards and business documents of merchants confiscated, reclaimable only after the merchant had reported to the tax office and paid the amount of tax the authorities claimed was owed. Tax officials accompanied by the military have commandeered merchandise from shops in lieu of unpaid taxes. Other businesses were closed and their owners jailed because of the refusal to pay taxes.

In East Jerusalem 17 hotels had their bank accounts frozen for failure to pay the municipal tax. The hotel and tourist trade was particularly badly hit by the Intifada. There was a 15 per cent drop in the number of visitors to Israel during 1988, although numbers picked up again during 1989, earning Israel a reported \$1.8 billion.<sup>12</sup> In East Jerusalem a number of hotels closed down due to lack of business. In June 1988, at the time when their bank accounts were frozen, the occupancy rate in East Jerusalem hotels was around 18 per cent, compared with 32 per cent in June 1987.<sup>13</sup>

The Israelis took advantage of curfews to collect taxes, raiding the houses of merchants and workshop owners to seize property. In Tulkarm, where a 29 day curfew was imposed during June and July 1988, the curfew was lifted on June 14 for six hours to allow the residents to purchase basic items. Road blocks were set up throughout the town, and local residents were stopped for tax and vehicle licence checks. Apparently some 400 residents had to pay sums ranging from \$300 to \$3,000.<sup>14</sup>

Road blocks were set up on the outskirts of towns and villages, each passing vehicle being stopped to allow tax officials to check whether the occupants had paid their taxes. The cars and the drivers' licences of those deemed to owe money would then be confiscated until the sums demanded of them were paid. On July 5 1988 over 300 cars were seized in this manner in Ramallah.<sup>15</sup> A few weeks before, in May 1988, the Israelis seized 40 taxis operating between Jerusalem and Ramallah in lieu of taxes they claimed had not been paid. Driving school instructors have had their identity documents seized when accompanying students for their driving test. In Ramallah 14 vehicles belonging to driving schools were seized by the authorities, and it took an interim order from the Israeli High Court to prevent the tax officials auctioning off the vehicles to raise money to pay the taxes.

Another method adopted by the Israeli authorities has been to insist upon Palestinians producing a document of clearance proving that they have paid their taxes before they are issued with any kind of official document such as travel or export permit, birth certificate, driver's licence, or renewed identity card. In May 1988 400,000 Gazans were ordered to renew their identity cards. In order to obtain the new cards they were required to prove that they had paid their taxes. The following July a new measure was adopted in the Gaza Strip, later to be imposed on West Bank residents — the changing of

the licence plates of cars. To obtain the new plates, which were of a different colour than the old ones and therefore instantly recognisable at any road block, the owners had to obtain clearance from the Israeli tax and customs officials and pay the "special tax" levied on vehicles.

How did Palestinians respond to such punitive measures? Many had no choice but to meet the tax demands of the Israelis. Gazan taxi drivers, for instance, had to comply with the new regulations if they wished to continue in business. Others have been prepared to suffer the confiscation of their property rather than cooperate with the tax demands of the occupier.<sup>16</sup> One of my hosts in Gaza was defiantly driving round Gaza City with the old licence plate attached to his car, some months after the new measure had been announced. However, for those who have their identity cards confiscated for any reason, there often appears to be little alternative but to obtain the certificate of tax clearance necessary to regain their ID, which is so essential in order to pursue anything resembling a normal life under occupation. In one notable case, however, over 300 villagers of Beit Sahour, near Bethlehem, turned in their identity cards to the municipality in a collective act of defiance and solidarity with those of their number whose houses and shops had been raided by tax officials. The Israeli response was to impose a two-week curfew on the village and to place 16 residents in administrative detention.<sup>17</sup>

A year later the inhabitants of Beit Sahour were to suffer a further penalty for their continued commitment to the principle of "no taxation without representation", when the Israelis embarked upon a draconian attempt to collect taxes from this defiant community. For six weeks, starting in September 1989, Israeli troops kept the village under siege whilst soldiers escorted tax collectors round the village, accompanied by removal vans, confiscating property in lieu of unpaid taxes. Road blocks were set up around the village, a strict curfew was imposed, and all telephone communication with the outside world was cut. Machinery and workshop equipment was seized, leaving craftsmen deprived of their means of livelihood. Shops and stores were left empty of goods. People's homes were stripped bare of household items. According to Israeli army figures property worth £1 million was expropriated, although residents later claimed that the actual figure was up to three times that amount. Members of the Israeli Knesset, foreign diplomats, church leaders and others protested against the sanctions imposed on the village. The UNC called for an unprecedented five day in six general strike, in response to the Israeli actions. Storekeepers in the town launched a commercial strike that lasted three months in protest against the confiscation of property, and al-Haq, the Ramallah-based human rights organisation, accused the troops of intimidation, pillage, non-registration of property seized, the destruction of property, the tearing up of identity cards, theft and assault.

## Collective economic punishment

However severe the sanctions imposed upon Beit Sahour might appear, in

essence they represented a continuation of the Israeli policy of inflicting collective economic punishment upon those Palestinian communities that dared to oppose the occupation. Thus, in March 1988, following the murder of a Palestinian collaborator in the town of Qabatiya, a ban was placed on the export of building stone and agricultural produce from the town to Jordan — the major sources of income. In similar fashion, the water-melon growers of the Jordan valley and Jericho area were prevented from marketing their crop within Israel, and whilst they were not prevented officially from exporting their crop to Jordan, the requirement that the hauliers obtain tax receipts, licences for the trucks, certificates of good conduct for the drivers and other forms of documentation made it virtually impossible to ship the produce. Similar attempts to restrict the transfer of produce from the centres of production to surrounding markets during the peak of the production season have been a recurring feature of the economic struggle between the occupying power and the Palestinians. Gazans were forbidden from marketing their fruit in the West Bank. Fruit and vegetable growers in the West Bank were prevented from transporting their crops to wholesale markets. Bans were imposed on selling produce in Israel. Loads of fruit destined for Jordan were held up at the bridges until they rotted in the trucks. A farmer in the Halhoul region reported that his normal annual profit on the 1988 grape harvest of \$10,000 had been reduced to \$1,000.<sup>18</sup>

The major agricultural crop in the West Bank is olives, worth around \$125 million in a good year and providing up to 30 per cent of the West Bank's income.<sup>19</sup> 1988 was a bumper year for the olive crop and the Israelis made it clear to producers that they intended to use the economic importance of the crop as a weapon to restore their control. They refused to grant export licences to olive press owners without the down-payment of 10,000 Jordanian dinars (JD) for "anticipated taxes", about £20,000 at the exchange rate pertaining in October 1988.<sup>20</sup>

Access roads to "troublesome villages" have also been blocked during the harvest season. This form of collective economic sanction was practised on the village of Tell, near Nablus. Famous for its figs, the village was sealed off on 13 August 1988, just as the time for the fig harvest approached. Whilst the inhabitants were allowed to leave and re-enter their village, they were prevented from going to their fields, their agricultural implements were confiscated, even their donkeys were requisitioned. This village, which had declared itself a "liberated zone" during the early months of the Intifada, was sealed off for 35 days. The message to all the other villages in the West Bank was clear: if you want to avoid the fate of Tell, then do not cause trouble to the occupiers. As one Israeli military commander remarked:<sup>21</sup>

We will not accept a situation in which villages or areas riot ... and then be able to act as though nothing had happened. This was the policy during the plum harvest and during the grape harvest. It will also be in effect during the olive harvest.

Certain villages that sought to disengage themselves from the "civil adminis-



tration" of the West Bank refused to pay their water bills to the Israeli-appointed local councils. In retaliation the supply from the Israeli Mekerot Water Company was cut off. The villagers found that whilst they could obtain sufficient water for domestic use from local wells, the supply was insufficient to irrigate their crops. They were forced to pay their bills in order to restore the supply. Villages that refused to pay their electricity bills for the same reason had a similar experience, with the electricity supply being severed until they had paid.

The occupation forces and, in some cases, settlers have also destroyed crops and orchards as a form of collective punishment of "troublesome" areas. On one occasion in 1989 there were reports of vineyards around Hebron having been sprayed with toxic weedkiller by settlers from Kiryat Arba. The Palestinians, for their part, also took to destroying Israeli crops and forests. The UNC declared 22 June 1988 a "Day of Arson", and during the months of May and June of that year it was reported that over 25,000 acres of forest had been burnt in Israel.

Perhaps the most drastic form of collective punishment employed by the Israeli security forces has been the curfew. Whilst the human and psychological costs borne by families confined to their homes for day after day should not be disregarded, the economic consequences of curfews are particularly severe. People are prevented from attending their place of employment, with the consequent loss of income. They are prevented from tending their crops, which in certain areas can have a disastrous effect on the local economy. Thus, the town of Qalqilya was put under a 29-day curfew during August 1988. The town is in the middle of a major citrus growing region. Citrus trees need irrigating every 10-15 days if the crop is not to be damaged, whilst any vegetable crop left unwatered for such a period is totally destroyed. Here is an extract from an Israeli soldier's diary of that curfew.<sup>22</sup>

As we reach the end of a night patrol (to ensure nobody tries to rescue their dying crops), we spy a family bringing in a bucket of tomatoes. Suddenly our jeep springs into action.... We corner them.... They tell us they have no food, are simply starving to death and had no choice. At which point the old woman, 90-years old, falls to her knees, kisses my hand, and begs me not to send her away. "We really needed tomatoes," she tells me.

Over time, and with experience, the residents of the refugee camps, villages and towns that had been subjected to curfew learnt how to survive. Most families have up to two months supply of basic food and other necessities stored in the home. Those who could afford the expense constructed water cisterns to serve their house. Under cover of darkness adjacent villages would send in supplies, to be distributed by the youths according to instructions from the popular committees. In those areas not too far from the "green line", supplies have been delivered from Palestinian villages and towns within Israel, left on the outskirts of the town and village to be collected for distribution by the youths.

Whilst the majority of Palestinians have learnt to live with the economic consequences of their collective resistance, the overall impact of the economic sanctions should not be underestimated. One researcher has estimated that the volume of losses incurred by eight villages in the West Bank over a period of ten months between January and October 1988 totalled \$6.5 million. This figure becomes even more staggering when one realises that there are 420 villages, 30 refugee camps and 15 cities in the West Bank and Gaza Strip.<sup>23</sup> Take the case of Gazan fishermen. Approximately 80 per cent of the estimated 2,000 who depend upon fishing as their prime means of livelihood live in Shatti refugee camp. During 1988 the camp was under curfew for more than 250 days, during which time they were denied access to their boats and hence their livelihood.<sup>24</sup>

It was in the Gaza Strip in the summer of 1989 that Israeli collective economic sanctions took on a new dimension. Early in June 1989, following the imposition of a three-day total curfew on the Strip during May, the Israelis began issuing new plastic entry permits for those wishing to travel into Israel. On 18 August they began to refuse entry to any adult male Gazan who did not possess one of the new magnetised cards. Those Gazans who depended upon work in Israel for their livelihood found themselves caught in a battle of wills between the Israelis and the leadership of the Uprising, as the UNC called for a boycott of work in Israel and activists of the strike forces confiscated thousands of the newly issued cards in order to enforce the ban.

The intention behind the introduction of the new cards was clear: to show the Gazans that it was Israel that held the whip-hand over their lives, not the underground leadership, and that if they wished to enjoy the fruits of labouring in Israel, then they would have to earn such a right by good behaviour and the payment of all outstanding taxes. Thus, the new cards were only issued to those Gazans who did not have any record of resistance activity against the occupying power. It was a typical Israeli strategy — “rewarding” good behaviour and punishing “trouble-makers”. Just as any Palestinian who was “cooperative” might find the level of their tax assessment halved whilst that of others might be doubled, so it was with the new cards. The aim was not only to impose suffering on the population but also to foment divisions within the Palestinian community, and to heighten tension between the local population and the underground leadership. In this they were successful. Considerable bad feeling developed amongst Gazans, directed at West Bankers who were allegedly taking the jobs left vacant by the strikers. This inevitably brought into question the role of the leadership who were allowing such opportunistic behaviour to take place.

The struggle over the new cards continued throughout August and September 1989, with the Gazan population experiencing new levels of deprivation as the Israelis tried to enforce their policy and the UNC exhorted the people to maintain the boycott. Somewhere in the region of 35–45 per cent of the population in the Gaza Strip depend upon income earned in Israel for their livelihood. With the loss of their wages they were forced to draw upon their meagre savings and rely upon occasional cash handouts from the local

popular committees in cases of exceptional hardship. Even non-refugees began to turn to UNRWA in the hope of obtaining work, cash, or food relief. Such hopes were ill-founded. According to Hashim Abu Siro, an UNRWA official, their annual budget of \$48 million was totally inadequate. He estimated that it would take \$300 million to satisfy the requirements of all those who relied upon work in Israel.<sup>25</sup>

By October 1989 more and more Gazans were having to face up to the reality of their situation and the economic necessity of returning to work in Israel. Faced with the problem of sustaining the Uprising, without at the same time imposing unbearable hardship upon the population, the leadership in Gaza was forced to recognise that the battle with Israel over the new entry permits was not one that they could win, given the chronic weakness of the Gazan economy and the consequent dependency of such a large proportion of its population on the Israeli economy.

## The household economy

Compared to the economic deprivation and loss of income suffered by the Palestinians as a consequence of Israeli sanctions, the attempts to alleviate the suffering by the regeneration of small-scale, household-based economic activity might seem rather risible. However, the development of what became known as the "household economy" became a key feature of the survival and resistance strategy developed by the Palestinians in the occupied territories during the Intifada. As the concern of the leadership of the Uprising turned to methods of sustaining the struggle, they began to exhort the people to "intensify the home grown economy through farming their land, rearing poultry, decreasing expenses and boycotting Zionist goods".<sup>26</sup>

The economic necessity of relying on one's own indigenous resources became a matter of political pride. In terms reminiscent of the Gandhian concept of *swadeshi*,<sup>27</sup> Palestinians began to talk of the political imperative of "going back to basics", rediscovering the simple lifestyle of previous generations. The boycotting of Israeli products, the closure of the shops, the loss of income due to strikes, the increased amount of time spent at home, combined with fears of Israeli attempts to "starve them into submission", were all relevant factors pushing people to respond to the promptings of their leadership, as they tried to become more self-reliant through simplifying their lifestyle and meeting more of their basic needs through their own efforts. As one resident of the Gaza Strip explained, by the summer of 1988 he had adapted to his new circumstances:<sup>28</sup>

It's true it's difficult, but for a particular goal, for my cause, I'm prepared to overcome the circumstances in which I live, using things I have and which are available to me.... For example, on the roof I keep a few pigeons, a few chickens. So, I can save. Instead of buying from outside, I feed the birds our scraps and I eat them. And this is a saving. It's not a problem...

This Uprising has created an atmosphere which we didn't have before of kindness and brotherhood. For example, if I have something and my neighbour doesn't, I'll take something to my neighbour. If I didn't have anything but my neighbour did, he'd probably come and bring something to me, to help me. Conditions have changed. This Uprising has created a reality which didn't exist before. Everything has changed for us now....

My average expenditure was 100 or 150 dinars, like most people. Now it's different. It's maybe 50 or 60 dinars. I can manage on that. It's a change. I used to work maybe 15 or 20 days a month. Now it's ten days a month or sometimes even less. I've had to adapt myself to my means.

Of course there was little that was new in such practices for the peasants of the Palestinian villages, but for the middle class and professional strata it meant engaging in "bread labour", working with their hands on the vegetable plots that they started in their gardens. With the women's committees in particular playing a prominent role in promoting new forms of home-based economic activity, more people began to keep a few chickens and areas of waste land were turned into communal allotments. Such enterprises had a symbolic value as great, if not greater, than the material one of providing a supply of home grown foodstuffs. As one observer explained, the prime aim of the "digging for victory" project upon which a number of middle class neighbours had embarked in Ramallah was "to sow the seeds of greater community feeling and propagate and nurture a sense of independence from Israel".<sup>29</sup>

The more cynical might argue that the real purpose and value of the middle class experiments in ploughing the land and planting seeds was to give them reassurance that they too were playing their part in the Uprising. Be that as it may, the seriousness with which the Israeli occupation forces viewed such morale boosting activities was evidenced by their treatment of an agronomist in the village of Beit Sahour who decided to make his professional skills available to the community. With a few friends, he began to sell seeds and basic agricultural equipment and give advice to people on how to grow their own produce. He was threatened with 24-hour surveillance and arrest if he did not cease his activities, and was one of those sentenced to administrative detention following the mass surrender of identification documents in protest against the forcible seizure of property in the village by the tax officials. Undeterred by the ten-day curfew that was imposed on the village, the residents reported that it had in fact contributed to the strengthening of the local committee which had organised the distribution of food during the curfew, and thereby gave the villagers the opportunity to try out their preparations for self-sufficiency.<sup>30</sup>

## **External funding**

Despite pursuing a simpler lifestyle, reducing their levels of consumption to

basic needs, and seeking to disengage themselves as much as possible from the Israeli economy in their efforts to achieve greater self-reliance, Palestinians living in the occupied territories still need money to survive. In the past a major source of funds was the supply of regular remittances from family members living and working abroad in the Gulf and elsewhere, which amounted to an annual sum in the region of \$120 million.<sup>31</sup> Such remittances would be transferred either through the Cairo-Amman Bank which has branches in the occupied territories, or through couriers who would bring the money over the bridges from Jordan. With the commencement of the Intifada the supply of such funds took on an added significance, as a result of the reduction in opportunities to earn income from employment in Israel and within the territories and the general decline in business activity. At the same time, people were encouraged by the promises of financial aid made by the Arab states at the Algiers summit in April 1988, the reassurances about compensation coming from the PLO leadership outside, and the specific commitments made by Iraq and Jordan that they would pay pensions to the families of the martyrs killed in the Uprising.

In their attempts to defeat the Uprising by heightening the economic costs of resistance, it became a major aim of the Israelis to stem this flow of funds. So long as Palestinians could receive finance from abroad, many of the economic sanctions imposed by the occupying power were rendered relatively ineffective. The Israeli counter-attack began by severely curtailing the activities of licenced money changers, and limiting the amount of money that could be brought over the bridges from Jordan without declaration to 400 dinars per person. This left the Cairo-Amman Bank, whose books and activities were closely monitored, as the only legal channel through which Palestinians could receive sums over 400 dinars. In March 1988 the Israelis issued an order that all transfers of amounts larger than 400 dinars required special permission from the authorities, and limiting to once a month the transfer of sums of up to 400 dinars. These restrictions were further intensified in August: individuals were only allowed to receive payments up to 400 dinars once every two months. In December 1988 the screw was tightened even further when it was announced that individual Palestinians coming from Jordan or Egypt would only be allowed to bring in amounts up to 200 dinars or its equivalent in other currencies. People seeking to bring in greater amounts would have to prove that it did not come from "hostile sources", whilst people carrying amounts larger than 500 dinars risked its confiscation unless they could display special permission from the Israeli civil administration in the territories.

Faced with the blockage of open channels for transferring funds, the Palestinians had to develop covert means in order to maintain the necessary flow of financial assistance from outside. The most straightforward was the simple device of tossing packages of money over the border fence with Egypt at Rafah in the Gaza Strip. Another major conduit was through Israeli commercial banks, with deposits being made from untraceable bank accounts outside Israel, which could then be drawn upon by the account holder in

amounts small enough not to attract unwelcome attention. Apparently another channel was opened through the purchase of Israeli government bonds by Palestinians living in the United States, who then sent them to individuals and institutions within the occupied territories to be redeemed.<sup>32</sup> Palestinian citizens of Israel, anti-Zionist Israelis, ultra-orthodox non-Zionist Jews, business people and tourists have all acted as couriers and "middlemen" — some out of a sense of solidarity with the resistance struggle, others for a percentage profit. A particularly important role in the transfer of funds has been played by Palestinian money changers with foreign bank accounts. It was a reasonably straightforward matter to have someone deposit a certain amount in one of these overseas accounts. The money changers would then pass on an equivalent amount, less their percentage profit, to representatives within the occupied territories.

As part of their attempt to cut off the supply of financial support from outside, the Israelis began to require voluntary organisations and UNRWA to account for their sources of funding. A number of voluntary associations and welfare organisations were closed down, partly in an effort to frustrate any form of Palestinian collective organisation and mutual aid, partly as an additional means of imposing economic hardship by closing down charitable institutions, and partly out of the belief that these associations were acting as a channel for funds into the territories.

These efforts were intensified following King Hussein's formal relinquishment of Jordan's claim to the West Bank on 31 July 1988. According to unofficial estimates Jordan had been spending up to \$200 million a year in the West Bank and East Jerusalem — funding hospitals, agricultural development projects, Islamic institutions such as the Waqf religious trust, and providing aid to municipalities. The funds covered wages and pensions for about 21,000 Palestinian teachers, civil servants and other functionaries amounting to some \$46 million a year. The PLO promised to assume full responsibility for all those whose jobs and incomes were threatened by the Jordanian action. Quite how the necessary funds were to be made available through the narrow channels that existed was never made clear, not surprisingly.

In May 1989 the Israelis introduced new legislation aimed at further stemming the flow of financial support by making it an offence for any Palestinian or Israeli institution to receive funds or property known by the recipient to be connected to a "terrorist organisation". The new "hostile funds" law also permitted the confiscation of property so received, and was made retroactive, thereby rendering funds already in the possession of associations liable to confiscation.<sup>33</sup>

As time passed it became increasingly clear that the Israeli measures to curtail the flow of external funds into the occupied territories was having an impact. My own experience was that despite the openness with which Palestinians were prepared to discuss most aspects of the Intifada, whenever the conversation turned to the question of how outside funding found its way through the Israeli net, I encountered a "red line" beyond which it was made

clear I should not try to proceed. What was apparent was that the supply of funds from outside was drastically reduced during the summer of 1988 and the situation got steadily worse. By the late summer of 1989 many Palestinian institutions which relied upon external assistance for their survival were finding it hard to make ends meet. Moreover, one began to hear complaints about the system of distributing those funds that did get through. The spectre of factionalism began to reappear as rival nationalist groups accused each other of using outside funds for the purposes of political patronage. Allegations of corruption began to be made, with references to the number of people occupying strategic points along the distribution system who were appropriating money for their own purposes, with the result that by the time the funds had found their way through the network to those who were most deprived, in the refugee camps and elsewhere, there was barely enough left to meet basic needs.

Israel, for its part, has not escaped without damage to its external sources of funding. In February 1988 the parliament of the European Community refused to ratify an agreement to provide Israel with up to £50 million in cheap loans and privileged access to EC markets as a protest against the repressive measures being taken in the occupied territories and the failure of the Israelis to honour an agreement to allow Palestinian agricultural products to be exported directly to the EC rather than through the Israeli state export board.<sup>34</sup> Two years later the EC suspended all cooperation with Israel on high technology research as a further mark of protest against Israel's abuse of Palestinian human rights. At the same time the EC promised to double its direct financial aid to the occupied territories and increase its contribution to UNRWA. Palestinian support groups have also tried to promote an international boycott of Israeli goods. However, such "costs" are relatively insignificant when compared with the estimated \$3,000 million Israel receives in aid per annum from the United States.

## Other external factors

In any power struggle, the nature of the outcome can be crucially determined by the role of external actors and agencies. As has already been observed, the Palestinian economy of the West Bank and Gaza Strip was a peculiarly dependent one prior to the Intifada, and so it has remained, despite all the efforts to generate self-reliance and a degree of economic autonomy during the Uprising. Throughout the Intifada the economic well-being of the Palestinian population has been subjected not just to the direct effects of Israeli sanctions and the uncertainties of external supplies of funding into the territories, but also to the economic conditions of their two more powerful neighbours: Jordan and Israel.

Palestinians in the occupied territories have customarily kept their savings in Jordanian dinars, traditionally a far more stable currency than the Israeli shekel. Imagine the calamitous consequences for the Palestinians when, on top of all their other economic woes, the purchasing power of their savings

was cut by over 50 per cent in a period of less than a year. This is what happened to the dinar. Due to the political uncertainties accompanying Hussein's announcement of July 1988 there was a rush by Palestinians and Jordanians to unload their dinars in exchange for dollars. The result was that the dinar lost 17 per cent of its exchange value during the month of October alone. Worse was to come. Amid allegations that the Israeli banks were selling large quantities of dinars in order to flood the market, the exchange rate continued to plummet. By March 1989 the dinar had dropped to half its pre-Intifada value against the US dollar. By the end of the year it was down 65 per cent on its 1987 value, as the Jordanian economy reeled under the three-fold impact of a drastic reduction in foreign aid, a massive surplus of imports over exports, and a foreign debt of staggering proportions.<sup>35</sup>

Whilst Palestinians suffered from the decimation of the dinar's purchasing power, their plight was compounded by the Israeli attempts to control their own inflation rate and budgetary crisis. In January 1989 the shekel was devalued by 13 per cent. The following June it was devalued by a further 5 per cent, and by another 6 per cent in March 1990. It has been estimated that the shekels earned by Palestinians working in Israel constituted 25 per cent of the income of the occupied territories.<sup>36</sup> One can begin to picture the deep crisis in which Palestinians found themselves as both the major currencies upon which they relied for their everyday transactions continued to deteriorate in purchasing power. Moreover, as part of its effort to reduce its budgetary deficit, Israel began to cut state subsidies on essential commodities. This contributed to an inflation rate of 20 per cent for 1989, whilst the prices of the basic items upon which Palestinians spent the bulk of their income rose by up to 25 per cent. As the economist Samir Abdallah described their predicament:<sup>37</sup>

... citizens in the occupied territories are caught between a rock and a hard place. Their incomes are eroded by the deterioration of the Jordanian dinar on the one hand and by the rise in the prices of goods and inflation in Israel on the other.

Squeezed between two troubled economies, Palestinians of all social groups suffered. But as always, some suffered more than others, and signs of internal economic conflict and social division became more manifest. Traditionally most property rental agreements in the occupied territories have been transacted in dinars. Faced with its devaluation, landlords began to demand rent increases. Landlord-tenant conflict became sufficiently worrying for the UNC to intervene, calling on parties to "maintain personal agreements and mutual understanding".

During 1989 there was also a disturbing outbreak of labour disputes and strike actions by workers demanding increases to compensate for the deteriorating purchasing power of their wage packets. Once again the UNC had to intervene, instructing employers to raise the salaries of their workers. Some indication of the tensions that began to emerge within the Palestinian community during this period, brought about by the conflicting demands of



national solidarity and class interest, was revealed in an interview with a Palestinian worker in August 1989:<sup>38</sup>

I can't remember things being so bad in the West Bank for a long time. Last year we were scraping the bottom of the barrel; this year we're not even managing to do that.

Most people have no money in the West Bank, nor in the Gaza Strip. People are really suffering there. But at least we're suffering for a cause, for independence, which I'm sure will come sooner or later.

There are always those who have money — lots of money. Maybe you can explain it to me: it seems that people who were rich before the Intifada are even richer now. I have a neighbour in Ramallah who behaves as if there were no Intifada in the world. His son and daughter are studying in some university in the United States; he himself told me that he wanted them as far from the Intifada as possible. He very often drives to Jerusalem and Tel Aviv at night in his plushy car and goes to night-clubs and restaurants. His refrigerator is always full of delicacies.

In August 1990 the economy of the occupied territories suffered an additional blow consequent upon Iraq's invasion of Kuwait. It has been estimated that remittances, donations and export earnings from the Gulf constituted somewhere in the region of one fifth of the GNP of the West Bank and Gaza Strip. The most immediate impact of the invasion was a drastic drop in remittances from Palestinians working in Kuwait, which had previously totalled around \$130 million a year. Institutions also suffered. Kuwait had been the biggest Arab donor to UNRWA, whilst Makassed Hospital and other welfare organisations and West Bank universities were also heavily dependent upon Kuwaiti financial aid. This loss of external aid, coming on top of nearly three years of economic suffering and financial hardship, posed a serious dilemma to Palestinians in the occupied territories. However, for some it served to underline the dangers of dependency upon outside financial aid and the vital importance of developing self-reliance in the economic sphere as the key to sustaining the resistance struggle and to laying the economic basis for an independent Palestinian state.

## Conclusion

In the unequal battle between the Israeli state and the Palestinians in the occupied territories, the struggle by both sides to impose punitive economic costs on the opponent as a means of influencing the eventual outcome has been of crucial significance. Whilst the daily street confrontations, the deaths, the beatings, the arrests and the deportations were the events that attracted world attention, a deeper clash of wills has been taking place that has cost both sides dearly.

Particularly during what might be depicted as the peak of the Uprising during 1988-89, the clear impression given by the Palestinians was of

unbending resolve. The sufferings consequent upon their commitment to resistance had become an accepted part of their life. They were prepared to endure economic hardship with pride and not a little ingenuity. They were confident in the belief that, through their resistance to the economic costs the Israelis sought to impose, they were in fact laying the economic foundations of a future Palestinian state.

However, as the Intifada moved into its third year with no significant sign of a political settlement, the leadership had cause for concern. Beneath the rhetoric of national unity, there were signs that the stress lines that have always existed within the Palestinian community were beginning to reappear, in part because of the perceived unequal distribution of the economic burdens of the Uprising.

The fact is that by 1990 all social groups were suffering economic hardship. In some ways the professional and middle classes experienced greater *relative* deprivation than the poor, in the sense that they had more to lose and had to make more dramatic changes in their lifestyle. But at the end of the day it has been the poorest sections of Palestinian society who suffered the most — the villagers and refugee camp dwellers.

Alongside the loss of income, the devaluation of the dinar and the shekel, the inflation and the consequential drastic decline in living standards, the punitive tax-collection measures adopted by the Israelis became an increasingly heavy burden for many Palestinians living under occupation. Indeed, according to information acquired by a Palestinian economist, after an initially sharp drop in tax proceeds during the early months of the Intifada, they had risen to around 95 per cent of their pre-Intifada level by July 1989.<sup>39</sup> This at a time when the unemployment level in the occupied territories was put at somewhere around 30 per cent, whilst for those who were in employment the average monthly income was estimated to be in the region of 5-600 shekels (\$250-300), well below the minimum wage level in Israel of 855 shekels. By 1990, before the impact of the loss of remittances from Kuwait had been felt, the annual per capita income in the West Bank was calculated to be in the region of \$1,200, whilst for the Gaza Strip it was as low as \$6-700.<sup>40</sup>

The radical decline in the levels of disposable income, coupled with the tax burden and the drop in the value of the dinar resulted in a wave of closures sweeping through small and medium sized businesses during the second year of the Intifada. Manufacturers came under considerable pressure to maintain wage rates and levels of employment, despite the downturn in the economic situation and the reduction in the number of days worked in a month. It was in response to the deteriorating economic situation that the number of general strike days was reduced in 1989, and factories were allowed to operate round-the-clock in an effort to maintain employment levels and avoid total economic collapse. In similar vein, enterprises received permission from the UNC to pay taxes and purchase Israeli-made inputs so that they could remain in business. One measure of the decline in economic activity was the increase in the number of Palestinians seeking work in Israel. According to the

statistics of the military authorities the number of people from the West Bank working in Israel had risen from a pre-Intifada level of 45-48,000 to 60-65,000 by late 1989.<sup>41</sup>

Despite the general economic gloom that deepened with each passing month, some businesses actually managed to increase profits. As many Israeli products started disappearing from the shelves of stores, Palestinian manufacturers took advantage of the opportunity to expand their sales. Free from outside competition as a consequence of the boycott of Israeli goods, companies producing basic commodities such as foodstuffs, soft drinks and cigarettes experienced increased sales of between 20-30 per cent. Moreover, certain sections of the agricultural sector gained some relief as direct exports to Europe increased dramatically during 1989-90, with the citrus fruits from the Gaza Strip and winter supplies of aubergines from the West Bank constituting the major items.

Some businesses proved themselves to be rather less than scrupulous in taking advantage of the boycott of Israeli products to increase their prices. On occasions the UNC felt obliged to warn sections of the community against taking advantage of the situation to make excessive profits. Thus, in Communiqué No. 40, issued in late May 1989, doctors were enjoined to lower their fees whilst bakers were urged to restrict their sales during strike hours to bread, "and not to turn the bakeries into shops selling food and drinks". On a more anecdotal level, a friend of mine was outraged to discover that a Palestinian company supplying him with printing ink for his computer was demanding ten times the price being charged by a company in Tel Aviv, from whom the local company had purchased the supplies in the first place.

Despite the exceptions, the economic plight of Palestinians in the occupied territories continued to worsen as the Intifada continued into its third year. For the more aware amongst the leadership there was a growing realisation that any long-term strategy of disengagement from Israel, in the form of a thorough-going, mass-based campaign of civil disobedience, could remain little more than a dream so long as the occupied territories remained so economically dependent upon Israel and lacked the necessary indigenous economic base to sustain such a struggle. Indeed, in a paradoxical manner, the forms of resistance pursued by the Palestinians in terms of general strikes and limited commercial hours were rendering the population increasingly dependent upon the Israeli sector — as evidenced by the increased numbers seeking employment across the "green line".

However, the economic costs that Israel was proving itself able to impose upon the Palestinians was also a cause of concern to sections of the Israeli security establishment. The fear was that if the Palestinians were squeezed too hard, then they might feel they had nothing to lose — the consequence being an explosion of violence fed by feelings of despair. As early as February 1989 Defence Minister Rabin expressed the dilemma as he saw it:<sup>42</sup>

We have to strike a balance between actions that could bring on terrible economic distress and a situation in which they have nothing to lose,

and measures which bind them to the Israeli administration and prevent civil disobedience.

Such strategic considerations were not the only problems Israel faced as a consequence of the economic struggle in which it was locked with the Palestinians. The economic costs of the Uprising for the Israelis have been perhaps less immediately obvious to the onlooker, but they have been no less real for that. In December 1989 the Minister of Economic Planning put the total cost of the Intifada at \$1.5 billion. Perhaps a more authoritative figure was the estimate of Bank Hapoalim which gauged the accumulated cost to the Israeli economy after two years at \$1 billion: a severe enough burden for an economy whose national output is about \$27 billion. The costs have not just been the direct military ones of ammunition, construction of detention centres, feeding and clothing detainees and the like.<sup>43</sup> There has also been the loss of revenue from taxes, the loss of sales and production, and the loss to the economy occasioned by the mobilisation of reservists who, during the first year of the Intifada, were required to serve up to 60 days of duty and which resulted in a significant loss of key personnel in the Israeli economy.<sup>44</sup>

The absenteeism of Palestinian workers, particularly during the first year of the Intifada, also contributed to Israeli economic difficulties, especially in the building industry. 1988 saw a 15 per cent reduction in house construction in Israel, which in turn contributed to a 35-40 per cent rise in house prices during 1989.<sup>45</sup> By mid-1990 the Israeli economy was sliding into stagflation as unemployment rose above 10 per cent and inflationary pressures increased. All this at a time when Soviet Jews were entering the country at an increasing rate. 50,000 arrived during the first half of the year and the rate was expected to rise to 22,000 a month. Government resources were stretched to the limit. The main pressure was on housing, and whilst plans were laid to import some 3,000 prefabricated homes as part of an attempt to increase the supply of housing units from 20,000 to 80,000 a year, the deprived and homeless sections of Israeli society began camping out in parks in protest against the escalating rents and the privileged treatment being meted out to the new arrivals. The government budgeted \$1.25 billion for the absorption of immigrants during 1990, most of which would have to be borrowed — adding further to the cost of servicing debts which already amounted to a third of the annual budget, with defence expenditure accounting for another 20 per cent.<sup>46</sup>

Alongside the problem of housing the influx of immigrants, Israel faced the daunting task of finding employment for the newcomers. One obvious strategy was to replace Palestinian workers with Soviet Jews. This was the background to the temporary bans preventing Palestinians from entering Israel that were imposed after the al-Aqsa massacre and the subsequent spate of killings by Palestinian labourers towards the end of October 1990. It also helped explain the steps taken to prohibit the entry of thousands of Palestinian workers into Israel by the radical extension of the green ID card scheme.

These sanctions were imposed upon a population that was already suffering under the traumatic financial and economic impact of the Iraqi invasion

of Kuwait. The most immediate effect was the drying up of the flow of funds from Kuwait and the other Gulf states. This included remittances from Palestinians in the Gulf, as well as funding from Arab non-governmental institutions and banks that had provided support for Palestinian educational and medical institutes and projects. Furthermore, the PLO suffered a drastic drop in income with its budget cut by a reported 40 per cent.<sup>47</sup> Not only did this mean a massive laying-off of staff within the PLO structure, but, of more immediate concern to the population in the occupied territories, it meant a severe curtailment of financial aid from the Organisation.<sup>48</sup>

On top of this loss of external funding, Palestinian agriculture and industry suffered severely from the loss of export markets in Jordan, Iraq and the Gulf. This in turn contributed to the rising tide of unemployment in the occupied territories, a level which was heightened by the return of Palestinians from Kuwait and the Gulf. Erstwhile financial supporters of their families in the occupied territories, they returned as refugees to constitute an additional burden on household incomes. It is perhaps redundant to point out that the Gulf crisis also brought with it a complete halt to the tourist trade which had begun to revive a little during 1989-90. This also added thousands of unemployed to the labour market.

However, worse was to befall the Palestinians as 1990 came to an end. On 14 January 1991 Israel imposed a total curfew upon the occupied territories which continued for 40 days. People were unable to go to work, children could not get to school, and the sick could not get to hospital. Crops could not be tended or harvested. People went hungry and fell further into debt. Meantime, tax collection was pursued with renewed vigour amongst the captive population, whose plight went largely unnoticed as the world focused upon events in the Gulf. The curfew finally came to an end, but the restrictions on travel within the occupied territories and across the "green line" into Israel remained in force.

It became increasingly obvious that the Israeli authorities had used the opportunity presented by the Gulf War, and the consequent need to confine the Palestinians to their homes because of the alleged "security risk" they posed, to accelerate the replacement of Palestinian labour within the Israeli economy by new Soviet immigrants.

Thus, after the cessation of hostilities, the border between the West Bank and Israel remained sealed and Israel began to apply the same conditions for entry to West Bankers as they had already implemented with regard to Gazans. Only those with a registered work permit were allowed to seek employment. Eligibility was restricted to married men with children, over the age of 30, with no record of arrest or imprisonment for criminal or terrorist offences. Furthermore, Palestinians could only be employed in the industrial, agricultural, and construction sectors. Those who had worked in the service sector were not permitted entry. Over and above these restrictions, measures were introduced to "encourage" Israeli employers to find alternative sources of labour. Thus, employers were not allowed to hire Palestinians for night work. They had to hire a minimum of ten Palestinians, and they

had to provide transport to and from work for those Palestinians that they did hire. As a "sweetener", the government began offering employers monthly subsidies equivalent to £250 for each new Israeli worker hired. The result of all these measures was that by May 1991 only 25-35 per cent of the 150,000 or so Palestinians who were normally employed in Israel had resumed work.<sup>49</sup>

For Israel, the selective granting of work permits was a continuation of the established "stick and carrot" policy. Thus, in villages where the mukhtar or village council had resigned in accordance with the UNC instructions concerning disengagement from the Israeli administration, no permits were issued on the grounds that no official local authority existed to support requests for permits. In similar fashion, only those who could furnish proof of having paid their taxes were granted authorisation to seek work in Israel, always assuming that they had no "security record".

Thus it was that in the months following August 1990 all the major sources of income for Palestinians in the occupied territories were severely cut: remittances from Palestinians working in the Gulf, financial aid from the Arab world, financial assistance from the PLO, employment within the occupied territories, and employment in Israel.

In April 1991 I visited the occupied territories on a research trip. The consequences of these calamitous developments were all too obvious. I found it difficult to comprehend how the impoverished occupants of the refugee camps were surviving. UNRWA was estimating that 80 per cent of the families in the occupied territories were in need of urgent relief in basic necessities. Throughout the Intifada no one had starved. Now there were widespread reports of malnutrition.<sup>50</sup> The situation seemed all the more desperate insofar as the indigenous relief and welfare services that had been based around the popular committees had been allowed to fall into disrepair, due in part to the misplaced faith of the population in the rhetoric of Saddam Hussein and his promises of liberation.

The view amongst Palestinians was that Israel was trying to starve them into submission, to force them to their knees, so that they would be amenable to any concessions Israel might care to grant them — some kind of limited autonomy, anything that promised some respite from their suffering. The risk run by Israel in pursuing such a policy was vividly expressed to me by a Palestinian acquaintance, someone renowned for his commitment to nonviolence, when he observed:

At the moment all we can do is concentrate on survival. But if the suffering gets too much, the people will find flesh to eat — Israeli flesh. The Israelis must not squeeze us too hard.

The obvious implication being that desperation might lead to an explosion of violence directed against Israelis — soldiers, settlers, and civilians alike.

To avoid such an eventuality, one possible scenario will undoubtedly suggest itself to the Israeli authorities: the promotion of economic development in the occupied territories centred upon the Israeli settlements. New

industries attached to settlements would be able to absorb some of the surplus Palestinian labour — at wage rates and under working conditions unrestricted by labour regulations operative within Israel proper. Israel would be able to demonstrate to the outside world how much it was contributing to the welfare of the Palestinians by means of such economic development and related job creation programmes. Furthermore, unrest might be defused by the provision of employment, at the same time as the Palestinians would be rendered increasingly dependent upon the Israeli economy, and the weak indigenous economy of the occupied territories would be further undermined. Such is the prospect — and it is not a hopeful one for the Palestinians.

Before this can happen, however, Israel has its own overwhelming economic problems to confront. Naturally enough she has turned to the United States for assistance — reportedly seeking \$5-10 billion in cheap loans to finance the housing of the new immigrants from the Soviet Union. It is this very dependence of Israel on external funding that holds out some slight hope of progress towards peace. In the words of Israeli peace activist, Adam Keller:<sup>51</sup>

Even from an Israeli point of view, the United States must surely be entitled to stipulate that the granting of this much money by the US government will be tied to Israeli participation in the peace process. This would also have the advantage that it would force every Israeli who regards herself or himself as a Zionist to decide which is more important from a Zionist point of view — funds to settle the influx of Soviet immigrants, or adherence to the goal of a Greater Israel.

Adam Keller is renowned as an optimist in Israeli peace circles, but even amongst “doves” closer to the mainstream of Israeli political life there is the feeling (and the hope) that if the United States were to hold up the supply of funding, then the consequent deterioration in the economic situation would be sufficient to sway a majority of the population to a position where they accepted, however reluctantly, the need for some kind of peace process.

As far as Palestinians are concerned, this remains a dim hope. For them the history of recent years reveals that Washington cannot be relied upon, except to be Israel's champion. However, there is a precedent. In 1953 Israel defied a United Nations demand to halt the construction of a canal in the Galilee which was impinging upon one of the demilitarised zones between Israel and Syria. Secretary of State John Foster Dulles ordered an immediate halt to US aid to Israel, and in a week Israel had complied with the UN directive. Dulles explained his actions as follows:<sup>52</sup>

It seemed that if the United States granted economic aid under these circumstances, it would tend to undermine the authority of the United Nations Truce Organisation. That authority is indispensable to the prevention of general hostilities and chaos in the area.

There must be many who would dearly love to see the United States summon up a similar will to uphold United Nations resolutions with regard to Israel's

occupation of the West Bank and Gaza Strip — just as she did in 1953, and as she did again in 1990 in response to Iraq's criminal occupation of Kuwait.

## Notes

1. Salim Tamari, "What the Uprising means", *Middle East Report*, May-June 1988, pp 24-30.
2. *I*, 30 January, 1988.
3. This echoed a call made by Mubarak Awad of the Palestinian Centre for the Study of Non-violence made prior to the outbreak of the *Intifada*.
4. *G*, 4 March, 1988.
5. C Richards in *I*, 30 January, 1988.
6. *AF*, 20 March, 1988.
7. C Richards, *I*, 30 January, 1988.
8. A meeting of East Jerusalem merchants threatened an indefinite strike until the fourteen were released, see *AF*, 1 May, 1988.
9. Palestinians in the territories have been taxed more heavily than Israelis. See S J Baxendale in *Christian Science Monitor* (CSM), 15-21 August 1988.
10. A standard monthly payment in the region of £50 might be asked of an academic, whilst a more affluent landowner might donate nearer to £100 per month. It is also worth noting that receipts were provided for such contributions in order to avoid charges of corruption and malpractice.
11. See D R Francis in CSM, 9-15 May 1988.
12. *Financial Times* (FT), 16 August 1990.
13. See *AF*, 14 August 1988.
14. *AF*, 19 June 1988.
15. *Ibid*.
16. One tactic has been to make over the legal ownership of one's goods to a neighbour or relative, thereby preventing their confiscation in lieu of unpaid taxes.
17. *JP*, 15 July 1988.
18. *G*, 16 March 1988.
19. CSM, 3-9 October 1988.
20. FT, 8 October 1988.
21. CSM, 3-9 October 1988.
22. J Kestenbaum, "A Soldier's Diary", *JP*, 16 September 1988.
23. Cited by H Awartani, "Impact of Israeli Policies on the Palestinian Economy and the Role of Palestinian Economic Institutions", *International Symposium on The Role of Foreign Assistance in Meeting the Economic and Social Development Requirements of Palestinian People*, Vienna, 1989, p 5.
24. *AF*, 27 November 1989, p 1.
25. Quoted in *I*, 1 September 1989.
26. Quoted in *I*, 13 April 1988.
27. *Swadeshi* was an essential component of the Gandhian constructive programme, involving the reliance on local resources for one's economic livelihood.
28. Transcript of interview carried out by Marwan Darweish for the film *Voices From Gaza*, (VFG) 263-1(2)25.
29. Quoted in *I*, 13 April 1988.
30. D. Kuttab, *MEJ*, 22 July 1988, p 11.



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31. *I*, 23 August 1990. Aid and remittances from the Gulf region constituted some 30 per cent of the Gross National Product of the occupied territories. (*G*, 30 August 1990)

32. *MEI*, 24 June 1988.

33. See Fiona McKay, "A draconian measure", *MEI*, 23 June 1989, pp 8-9.

34. It was only in October 1988, some 8 months later, that Israel issued the first permits to Palestinian producers in Gaza allowing them to export their fruit direct to the EC, in a successful attempt to clear the way for the ratification of the trade agreements with the EC. See *G*, 11 October 1988.

35. It has been estimated that somewhere in the region of \$300 million was knocked off the value of Palestinian savings by the depreciation in the value of the dinar. Samir Hulaileh, *The Gulf Crisis and the Palestinian Economy*, East Jerusalem, PASSIA, 1991, p 5.

36. Samir Barghouthi, in *AF*, 23 January 1989, p 16.

37. S Abdallah, *AF*, 7 August 1989, p 16.

38. Quoted by Yehuda Litani, *JPIE*, 26 August 1989, p 17.

39. Awartani (1989), op. cit., p 3.

40. Khalil Touma, *AF* 19 February 1990, pp 8-9.

41. *JP*, 27 November 1989.

42. Quoted by Joel Greenberg, *JPIE*, 25 February 1989, p 5.

43. Bank Hapoalim calculated the direct cost to the army of dealing with the *Intifada* at between \$120-160 million for 1988, with a slightly lower cost incurred for 1989. The IDF's own estimates were considerably in excess of these figures: \$260 million for 1988, \$205 million for 1989, and the estimated cost for 1990 was \$225 million. See *JPIE*, 6 January 1990, p 6.

44. Israel's trade surplus with the occupied territories totalled only \$56 million in 1988, a third of the 1987 figure of \$174 million. (*JPIE*, 18 February 1989, p 7.) Israeli food producers and processors were particularly badly hit with a reported loss of revenue of \$100 million after two years of the Palestinian boycott. In retaliation Israel insisted that all goods produced in the occupied territories for sale in Israel must be labelled in Arabic to indicate their place of production. See *JPIE*, 25 November 1989, p 21.

45. *FT*, 16 January 1990.

46. *FT*, 2 May 1990 and 10 July 1990.

47. *G*, 8 December 1990.

48. Figures on the financial cost to the Palestinian economy entailed by this loss of funding vary considerably. See, for instance, the contrasting figures produced by S Barghouti, *AF*, 8 October 1990, p 5, and S Hulaileh (1991), op. cit..

49. Details from Kav La'oved — Workers Hotline Newsletter, March 1991, Tel Aviv.

50. See Hulaileh (1991), op. cit..

51. Adam Keller, interviewed by Neil Finer, London, March 1991.

52. Quoted by Donald Neff, *MEI*, 19 April 1991, p 11.