

CHAPTERS V

THE ECONOMY

Chapters III and IV have covered aspects of conflict relating to major resources and also supportive institutions facilitating agricultural development. This chapter extends these considerations of specific aspects of conflict to discuss a more general assessment of the situation in terms of conventional economic criteria.

However, despite the enormous significance of economic transformation in the West Bank following occupation, this chapter cannot provide a comprehensive discussion on this subject. Economic issues dealing with the occupied territories need more intensive studies by specialized economists whereas the aim here is to provide an adequate context of the specific subject of this thesis.

The economy of the West Bank was already vulnerable to external factors prior to occupation, and this helped later facilitate a form of colonial exploitation by Israel. It is helpful therefore to begin this chapter with a review of the West Bank's economy as it was shortly before the Israeli occupation in 1976.

The state of economy prior to occupation

The West Bank emerged from the 1948 War in a state of some despair and chaos. In addition to a major military defeat, the West Bank's economy was greatly damaged following the arbitrary severance of its connections with the rest of Palestine, with which it had been intergrated.

The annexation of the West Bank to the Hashemite Kingdom of Jordan in 1950 then entailed new economic realities. The emerging country was

deficient in raw materials, water resources, cultivable land, credit facilities and basic infrastructures. Foreign aid, almost all from Britain and the United States, played a key role in freeing the country from total bankruptcy. Even then, aid was channelled primarily to the East Bank. It was only through foreign aid that Jordan managed to survive politically, and even succeeded later in achieving many transformations in its service institutions and economy. Contrary to low expectations expressed by the World Bank's mission to Jordan of 1956, the Gross National Product increased steadily at rates of over ten percent all through the fifties and early sixties.¹ Per capita income rose from \$90 in 1950 to \$200 in 1967.

The West Bank appears to have benefited to varying degrees from the high rates of growth in Jordan. It is very difficult to quantify changes in various sectors, as all published statistics until 1967 are presented on a unified basis covering both parts of Jordan. Table (V - I) shows a sectoral distribution of Gross Domestic Product as ascertained in an Israeli study conducted shortly after occupation, based mainly on Jordanian data.

1. R. Porter, et al., The Economic Development of Jordan, (Baltimore: Johns Hopkins Press, 1957). This study was sponsored by the International Bank for Reconstruction and Development (the World Bank).