a prominent position in its international trade, though on a considerably smaller scale. A commodity breakdown of exports and imports for 1979 (see Table V - 10) reveals that about one-third of all exports were of agricultural origin, as versus only 14% of imports. The value of agricultural imports rose so rapidly that they exceeded exports within a few years after the onset of occupation. Again, this is an indication of diminished production on the one hand, and exposure to Israeli competition on the other. It is clear therefore that a major target of a Palestinian agricultural policy is to bring this trend to a halt, and possibly try to reverse it. A forthcoming Palestinian state will find it exceedingly difficult to develop an industrial sector competitive to that of other countries in the area (less so of Israel's), but it cannot afford to loose its traditional comparative advantage in agriculture. While this is underlied by tangible economic realities, it is dictated even more markedly by the political aspirations of the Palestinian people.

Table (V - 10)

Relative significance of agricultural trade (1979)

	Total		Agr. commodities*		
	IL	Jordan Dinars	IL	JD**	% of Total
Exports	3,726.4	44.4	1202.0	14.3	32.2
Imports	8,974.6	107.0	1279.5	15.3	14.2
Trade deficit	5,248.2	62.6	77.5	0.9	1.5

* Includes olive oil and other processed agricultural products, which are classified as industrial in the original reference.

** Converted at the market exchange rate for 1979, which averaged at IL 83.9 per Dinar.

Source: Administered Territories Statistics Quarterly 1980, op. cit., p. 6.

Finance

The monetary and banking systems in the occupied territories were disrupted and restructured after occupation. The developments in this regard are summarized below:

1. Jordanian and Israeli currencies were concurrently circulated as legal tender. The first was used for hoarding purposes by West Bankers, on account of its stability, while the second was maintained in quantities just enough to allow for current business transactions.

2. Arab banks closed down and were replaced by branches of Israeli banks. The latter, however, failed to conduct their business beyond services involving settling current transactions between businessmen on both sides of the Green Line (the frontier).

3. The soaring inflation rates in Israel, exceeding an annual average of 100% during the past few years, have had a drastic impact on the West Bank economy. With rapidly depreciating currency, it became extremely difficult to achieve a real return on investment, even allowing for numerically high profit margins earned during current transactions. The crux of the problem is that the net worth of a firm as measured in a relatively stable currency, commonly the Jordan Dinar, can hardly exceed the opening net worth, because of dramatic devaluation of the Israeli Pound relative to the Dinar, exceeding 30% in most years (see Table V - 11). This in effect means that in order to be able to claim a real profit, a firm should earn an unusually high return on its initial investment, as valued in Israeli Pounds.