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Strangling the Palestinian Economy

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The European Union this week issued its long-awaited guidelines to label settlement products produced in the illegal settlements Israel has built in the territory it occupied in 1967. Even before the guidelines were issued, the Israeli government blasted the move, claiming it undermined peace and discriminated against Israel.

It even claimed labelling would hurt Palestinian workers in Israeli settlements. This claim deliberately creates confusion and diverts international attention from the colossal damage Israel's occupation and colonization of Palestine does to the Palestinian economy.

True, some Palestinians work in Israeli settlements. But how many? And why do they work in settlements? To answer these questions, it is useful to begin with a quick look at the impact of Israel's occupation on the Palestinian economy.

Israel has exploited the Palestinian economy — directly and through its illegal settlement enterprise — since its occupation began. It has confiscated Palestinian land and property for settlement construction and agriculture; seized water resources (the more than 600,000 settlers now use six times as much water as the 2.6 million West Bank Palestinians); taken over tourist sites; and exploited Palestinian quarries, mines, the Dead Sea, and other non-renewable natural resources.

In addition, the settlements are supported by an infrastructure of roads, checkpoints, and the Separation Wall, leading to the creation of isolated Bantustans. According to a World Bank study, 68% of the so-called Area C − which represents 60% of the West Bank and which is richly endowed with natural resources — has been reserved for Israeli settlements, while less than 1% has been allowed for Palestinian use.

This physical fragmentation, coupled with Israeli restrictions on movement and access, has led to the emergence of different economies in the occupied territory, greatly harming the prospects for economic development. Overall, it is estimated that the total cost of the occupation was almost 85% of the total estimated Palestinian GDP (around $7 billion) in 2010 alone. The illegal settlement enterprise has thus severely strangled the Palestinian economy. It is no surprise that the economy now suffers from structural weaknesses and a debilitated productive base that is unable to generate enough employment and investment. It is also no surprise that the Palestinians have become dependent on foreign aid, including from taxpayers in the EU and its member countries.

It is this harsh economic reality that drives some Palestinians — estimated at 3.5% of the total West Bank labour force in 2013 — to work in Israeli settlements, where they are subject to difficult, sometimes dangerous working conditions. Most do not have health insurance to protect them from work-related accidents and it is estimated that 93% do not have labour unions to represent them: they are subject to arbitrary dismissal and withholding of their permits if they demand their rights or try to unionize.

It is sometimes argued that Palestinian workers in settlements receive higher wages than in the Palestinian labour market; however, it is worth noting that they are paid on average less than half the Israeli minimum wage. For example, in Beqa'ot, an Israeli settlement in the Jordan Valley, Palestinians are paid 35% of the legal minimum wage. (The packing-houses of Mehadrin, the largest Israeli exporter of fruits and vegetables to the EU, are located in this settlement.) More than 80% of Palestinian workers would leave their jobs in the settlements if they could find an alternative in the Palestinian labour market.

While Israel spins that EU labelling will hurt a few thousand Palestinian workers, in reality millions of Palestinians have been dispossessed of their economic resources. And Israel's occupation hurts Palestinians far more than EU labelling of settlement products could. What Palestinians need is an end to occupation, not more jobs in illegal settlements. Only then can they strengthen their economy's productive base, generate employment, ensure self-reliance and self-sufficiency — and stop being dependent on EU aid.

The EU has recognized the illegality of Israel's colonial enterprise, which is a breach of the Hague Regulations of 1907, the Fourth Geneva Convention of 1949, and the right of Palestinians to self-determination. But, as Israel's largest trading partner, the EU's guidelines on labelling do not fully meet its moral and legal obligations. Third states are obliged not to provide any assistance to maintain an illegal situation. The EU should ban all settlement products and end its dealings with all parts of the Israeli economy that engage in Israel's illegal settlement enterprise.