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How Israeli Settlements Stifle Palestine's Economy

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Key Points

- Israel's illegal settlement enterprise has clearly had a profoundly negative effect on the Palestinian economy, including the agricultural sector, extraction and manufacture of products from minerals, and the environment.
- The EU's guidelines regarding labeling are insufficient to fulfill its legal obligations because they cover only some settlement products, are easy to circumvent, and delegate primary responsibility for enforcement to the member states.
- While Palestinian workers in the settlements are subject to difficult and sometimes dangerous working conditions, less than 2% of the total employed Palestinian population would be impacted in the event of closure of Israeli industries in the settlements.
- The EU should enforce a complete ban on all direct and indirect economic, financial, business, and investment activities with the Israeli settlements and halt financial relations with Israeli banks.

Background

In 2010, the European Court of Justice confirmed that products originating in the West Bank did not qualify for preferential customs treatment under the agreement. However, it was only in 2015 that the European Parliament took the long overdue step of aligning its actions with its own regulations when it passed a resolution calling for the labeling of goods produced in the Israeli settlements. Israel argued that the EU move was "discriminatory" and that it was harmful to Palestinian workers. However, the fact that Israel's settlement construction has been based on the economic exploitation of the OPT has been widely documented.

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The Settlements' Economic Exploitation of the OPT

Israeli settlements control 85.2% of the most fertile land in the West Bank. Israeli revenue from the exploitation of Palestinian land and resources in the Jordan Valley and northern Dead Sea is estimated at around NIS 500 million annually (around $130 million). Meanwhile, Palestinians are prevented from living there, building, or even herding their livestock.

A Palestinian Economy Stifled by Settlements

Restricted access to and production in Area C has cost the Palestinian economy an estimated $3.4 billion. Israel's control over water and land has decreased the labor productivity of the agricultural sector and its contribution to GDP. The dumping of solid waste and wastewater from industrial zones in the settlements into the OPT has further polluted the Palestinian environment.

Restricted access to the vast resources of the Dead Sea has prevented Palestinians from establishing cosmetics businesses and other industries, based on the extraction of minerals. The production and sales of magnesium, potash, and bromine would otherwise have had an estimated annual value added of $918 million, the equivalent of 9% of GDP in 2011.

Dispossessed: Palestinian Workers in Israeli Settlements

This harsh economic reality is the primary factor driving some Palestinians to work in Israeli settlements, mostly in low skilled, low paying jobs. However, less than 2% of the total employed Palestinian population would be impacted in the event of closure of Israeli industries in the settlements.

Palestinian workers in the settlements are subject to difficult and sometimes dangerous working conditions and are paid, on average, less than half the Israeli minimum wage. They are subject to arbitrary dismissal and withholding of their permits if they demand their rights or try to unionize.

The Gap Between EU Rhetoric and Action

In light of these facts, the guidelines regarding labeling are insufficient to fulfill the EU's legal obligations to not recognize as lawful an illegal situation. Not all products from Israeli settlements are to be labeled. In addition, Israeli companies operating in the settlements can easily circumvent the labeling of their products by mixing goods or using alternative office addresses. Meanwhile the labeling guidelines themselves seem toothless since enforcement is, for the most part, left to member states.

Furthermore, in clear divergence from its rhetoric, the EU undertakes projects with Israeli companies that are deeply involved in the settlements and the occupation. European banks are also connected to Israeli banks, which provide mortgages for settlers, finance Israeli authorities in the settlements, and fund state-sponsored construction of settlements.

How the EU Can Better Uphold the Law

The EU should follow in the footsteps of Copenhagen, Reykjavik, and recently Amsterdam by enforcing a complete ban on all direct and indirect economic, financial, business, and investment activities with the Israeli settlements. It should also halt financial relations with Israeli banks, and EU member states should on their own halt all relations with Israeli settlements. The EU is Israel's largest trading partner, and a serious EU move would have real impact on Israel's settlement enterprise.

Finally, just banning Israel's settlement products would exert much less pressure on Israel to end its occupation than banning the very system that is masterminding the colonization of the territories. For Palestine, such a boycott would help protect Palestinian goods, increase their competitiveness, and help to ensure the ability of the Palestinian economy to be integrated into the international economy in the future, once freedom is assured.