4 February, 2014.

Mr Eamon Gilmore TD
Tánaiste and Minister for Foreign Affairs
Department of Foreign Affairs
Iveagh House,
Dublin 2

Re World Bank report on the West Bank “Area C”

Dear Tánaiste

In 2012 Congress strongly endorsed your position in support of the Palestinian application for full UN membership and also supported your efforts last year to secure EU level moves to outlaw the trade in Europe in goods and services from illegal Israeli settlements in the occupied Palestinian territories. These positions have been consistent with the long-established Congress stance supporting the UN position in favour of a two-state solution to the Israeli-Palestinian conflict on the basis of the 1967 “green line”.

Congress has repeatedly warned that the extraordinary acceleration of settlement building by Israel on Palestinian land since the Oslo Accords of 1993 is not only illegal under international law – and has been repeatedly condemned as such by the UN – but also undermines the very basis of the two state solution to which the Irish Government is committed.

The destruction by Israel of the basis for the two-state solution is now further underlined by the World Bank in its new report on economic conditions in the 61% of the West Bank designated as “Area C”, the area under full Israeli administrative and security control (World Bank Report No. AUS2922: West Bank and Gaza. Area C and the Future of the Palestinian Economy, October 2013).

The disastrous economic consequences of deliberate Israeli actions in Area C highlighted in this World Bank report have been further impressed on us by the Palestinian General Federation of Trade Unions (PGFTU) who, during a recent visit to Dublin, urged us to draw your attention to the findings of the report.

According to the World Bank, more than two thirds of Area C is now fully under the control of Israeli settlements, including “settlements’ municipal boundaries, development master plan areas and road networks, all of which are usually off limits to Palestinians.” It notes that a further 10% of the Area has been designated by Israel for further settlement building, 21% as closed military zones, and 9% for “nature reserves”, while just 1% is allocated for Palestinian development. The ruthless enforcement of this colonisation strategy has led to the confining of the Palestinian population to just 39% of Area C, overcrowded Palestinian living conditions and the wholesale destruction of Palestinian dwellings – and sometimes entire villages – deemed “illegal” by Israel.
The World Bank sees the economic potential of the West Bank, including the natural resources in which it is “richly endowed”, as the “key to future Palestinian economic development” and to the viability of the two state solution itself. But Israeli restrictions on movement and economic activity in Area C has strangled this economic potential:

“The manner in which Area C is currently administered virtually precludes Palestinian businesses from investing there ... Area C is key to future Palestinian economic development. ... [It] is particularly important because it is either off limits for Palestinian economic activity, or only accessible with considerable difficulty and often at prohibitive cost. Since Area C is where the majority of the West Bank’s natural resources lie, the impact of these restrictions on the Palestinian economy has been considerable. ...

“[T]he key to Palestinian prosperity continues to lie in the removal of these restrictions with due regard for Israel’s security ... [R]olling back the restrictions would bring substantial benefits to the Palestinian economy and could usher in a new period of increasing Palestinian GDP and substantially improved prospects for sustained growth ...

“Israeli restrictions render much economic activity very difficult or impossible to conduct on about 61 percent of the West Bank territory, called Area C ... The complex system of restrictions on movement and access imposed by Israel is the most significant impediment to Palestinian private sector growth ...”

Israel is also involved in the wholesale exploitation of the natural resources in the West Bank (Area C) which it denies to Palestinian business. While Dead Sea minerals are illegally and extensively exploited by Israeli firms, they are unavailable to the Palestinian economy. The mining of quality stone, already the largest Palestinian export industry, cannot develop “due to an inability to obtain permits to open new quarries, and with most existing quarries in Area C unable to renew their licenses.” Similar controls, restrictions and disincentives to development prevent the growth of Palestinian tourism, agriculture and telecommunications. Even the simple laying of a fibre network has been severely restricted. In general, “Infrastructure projects serving the day-to-day needs of the Palestinians in Area C ... are frequently delayed or denied by the ICA [Israeli Civil Authority]. The restrained language of the World Bank cannot conceal the radical nature of these Israeli actions:

“Transportation infrastructure is particularly problematic as Palestinian use of roads in Area C is highly restricted, and travel times can be inordinate; the Palestinian Authority has also been unable to develop roads, airports or railways in or through Area C. Restrictions in Area C have impeded the development of “soft” institutional infrastructure such as banking services, which are hamstrung by the inability to open and service branches, and the inability in practice to use land in Area C as collateral. Insecurity and the difficulty of policing Area C also deter investors.”

Israeli restrictions on movement and economic activity has resulted in economic stagnation and contraction and an economy largely reduced to “donor financed consumption” with a massively under- and unemployed population. Over 20% of the workforce are officially unemployed while a full quarter of the workforce is employed directly by the Palestinian Authority. In addition, the agriculture-dependent population has doubled since 1993 despite a relentless contraction of agricultural production due to Israeli imposed “limitations ... on agriculture itself”. The period of economic “growth” in Area C between 2007 and 2011 was a false growth, "driven largely by extraordinary levels of donor budget support, which amounted to USD 1.8 billion, or 29 percent of GDP, in 2008 ... [The recent economic] slowdown has exposed the distorted nature of the economy and its artificial reliance on donor-financed consumption.”
The severe restrictions on movement and access for Palestinians imposed by Israel is also greatly retarding Palestinian social development, with educational participation rates and standards in Area C declining drastically since 1993.

Israeli product restrictions under their interpretation of military potential use ("dual use") has led to an Israeli list of forbidden or restricted "dual use" products that is "unusually extensive", forcing Palestinian businesses to resort to "inefficient input mixes", particularly in food and beverages, pharmaceuticals, textiles, information technology, agriculture and metal processing. In addition to the resulting inefficient and even dangerous product outcomes, an additional perverse consequence of this is that the "list" does not apply to Israeli importers, who have hence become the principle supplier of these otherwise unobtainable goods to Palestinians.

The World Bank reiterates and adds further appalling facts to what has been made known to the Irish public by NGOs such as the Ecumenical Accompaniment Programme (EAPPI) regarding Israeli theft of Palestinian land, water, minerals and other natural resources in Area C. In just one of its observations on this issue, the report comments:

"While most of the West Bank's aquifer and spring water is located in Area C, Palestinians have not been able to draw their agreed allocation of 138.5 MCM per annum. There are three underground aquifers in the West Bank: the Eastern, the Western, and the North-eastern aquifers. They are located either entirely in Area C (the Eastern Aquifer) or are shared with Israel (the North-eastern and Western Aquifers). Out of the 138.5 MCM annual allocation in 2011, for example, only 87 MCM was abstracted by the Palestinians. Digging wells or building water conveyance and wastewater treatment and reuse infrastructures requires approval by the Israeli Civil Administration (ICA) as well as by the Joint Water Committee if Area C is implicated, which is always the case. Selby (2012) argues that these requirements have severely restricted the number of additional wells: new Palestinian wells drilled since the Oslo Agreement provide only 13 MCM/year - below the 20.5 MCM/year allocated under the Interim Agreement for the five-year transitional period, and considerably less than the additional 70-80 MCM/year identified for Palestinian "future needs". What is more, half of Palestinian wells have dried up over the last twenty years - with the result that total Palestinian water production in the West Bank has dropped by 20 MCM/year since 1994. This decline has been partially offset by an increase in water purchases from Israel of over 100 percent between 1995 and 2010. Even so, per capita water access has declined by more than 30 percent. These restrictions on water availability limit Palestinian irrigation possibilities and thereby constrain potential agricultural production."

The World Bank report outlines the economic development that would occur if "the various physical, legal, regulatory and bureaucratic constraints that currently prevent investors from obtaining construction permits, and accessing land and water resources were lifted, as envisaged under the Interim Agreement". The impact on agriculture, Dead Sea minerals exploitation, stone mining and quarrying, construction, tourism, telecommunications and cosmetics alone "would amount to at least USD 2.2 billion per annum in valued added terms - a sum equivalent to 23 percent of 2011 Palestinian GDP".

The Bank report concludes: "the total potential value added from alleviating today's restrictions on access to, and activity and production in Area C is likely to amount to some USD 3.4 billion - or 35 percent of Palestinian GDP in 2011." Removal of restrictions would also produce a 35% increase in employment, cut the fiscal deficit by 56%, greatly enhance financial credibility and reduce donor dependency. "[T]he key to Palestinian prosperity ... lies in the removal of these restrictions."
We are sure you will agree that it is scandalous that Israel is denying Palestinians access to their own land in Area C and throttling Palestinian economic development by so doing. As a result Palestinians have been forced to rely on large amounts of international support.

In our view it is imperative that the EU use its economic power to force Israel to end its economic strangulation of the West Bank and we urge you to seek such action at EU level.

Yours sincerely

[Signature]

David Begg
GENERAL SECRETARY