

## **The Effects of Labeling Settlement Products on the Palestinian Economy**

### **Background**

1. Israel has witnessed initiatives, in Europe and elsewhere, to require importers and retailers to specifically label products produced in Israeli settlements in Judea and Samaria (the West Bank).

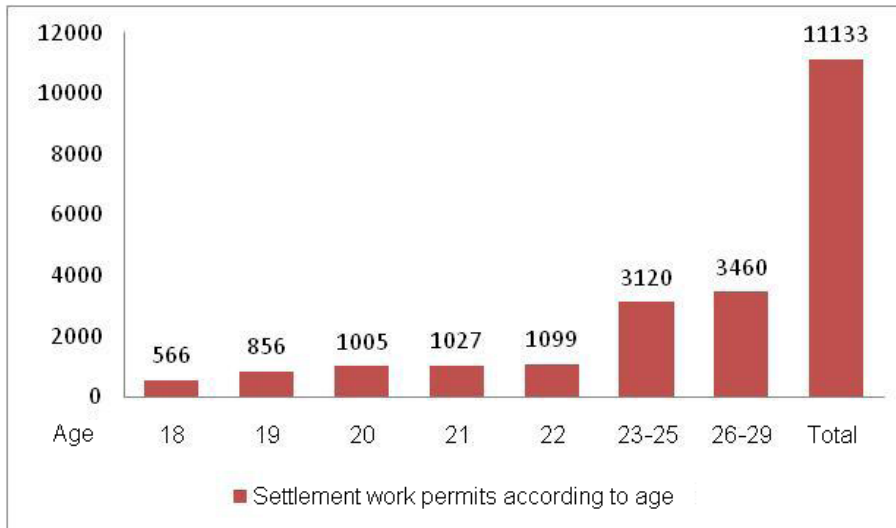
The apparent reason for this labeling is to enable potential buyers with certain ideological inclinations to identify products produced by Jewish settlements and then boycott them.

2. While those who back labeling measures purport to be supporting the Palestinian cause, this measure will in fact harm the Palestinians. Boycotts of settlement products can negatively impact the Palestinian economy, not least by causing unemployment rates to rise.

The strength of the Palestinian economy in the West Bank will directly affect both the willingness to engage in negotiations and the stability of the area. The actions of governments that support the peaceful conclusion of the conflict should be aimed at strengthening the West Bank economy, not weakening it.

### **Palestinian Employment**

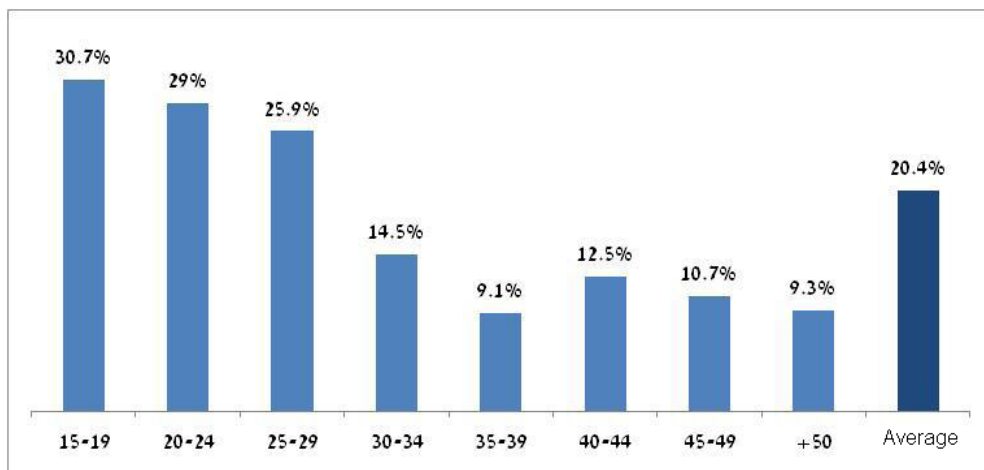
1. Approximately 22,500 Palestinians are employed in Israeli settlements in Judea and Samaria. These workers not only support immediate family members, but extended families and communities.
2. The labeling of products produced in settlements may lead to a decrease in demand, which would result in the loss of jobs among Palestinians. Unemployment among Palestinians in the West Bank already stands slightly above 20% (Palestinian Central Bureau of Statistics 2012).
3. The settlements provide employment opportunities to young workers in particular. Work permits in the settlements are granted without consideration of age or family status (in contrast to work permits inside Israel, which for security considerations are only granted to those above the age of 26 who are married). As a result, about half of the workforce employed in Jewish settlements is between the ages of 18-29.



*Number of Palestinians 18-29 employed in Jewish settlements, by age*

A prominent feature of developing societies is their dependency on young age groups in the work force. These workers have a direct impact on a number of income circles (nuclear family, extended family, community).

Employment in Jewish settlements constitutes a significant part of the total employment of young Palestinians. Unemployment is significantly higher among West Bank Palestinians under the age of 29 as opposed to older Palestinians.



*Percentage of unemployed in the West Bank, by age, last quarter 2012*

## **Palestinian Income**

1. The average daily wage of Palestinians working in Israeli settlements is NIS 164 (US\$ 46). This is 88.3% higher than the average daily wage in

the rest of the West Bank, which according to the 2012 reports of the Palestinian Central Bureau of Statistics is only NIS 87 (US\$ 24).

The potential income per day of all the Palestinians employed in settlements is NIS 3.7 million (approximately US\$ 1 million).

2. The potential annual income of Palestinians working in Jewish settlements totals a billion shekels (over US\$ 277 million).

This income is a crucial source of capital for Palestinian residents of the West Bank and for the Palestinian Authority's economy. It is the equivalent of nearly 9% of the total annual budget of the PA in 2012, which amounted to US\$ 3.1 billion.

### **Additional Benefits to the Palestinian Economy**

1. As a developed country, Israel's level of technology, organization and production is significantly higher than that of the developing Palestinian Authority (PA).

As a result, Palestinians employed in Jewish communities are exposed to Israeli technologies, as well as organizational and management methods. The Israeli settlements create a "technological incubator," allowing workers to transfer vital know-how into the Palestinian economy.

2. This knowledge spillover from workers employed in Jewish settlements to friends and relatives working in other parts of the West Bank adds to the development of the Palestinian economy, increases efficiency in work procedures and, ultimately, encourages economic growth.

### **Conclusions**

1. It is clear that employment in Jewish settlements has a positive effect on the population in Palestinian Authority territory and on the PA economy. It strengthens the economy by providing significant income, a decrease in unemployment, a variety of places of employment, as well as contributing to Palestinian human capital and the development of the Palestinian economy in the West Bank.
2. Accordingly, labeling products produced in Israeli settlements could have a direct and harmful impact on income levels, youth unemployment and sources of capital, in addition to the technological, organizational and managerial development of the Palestinian economy.