economy, which has amounted to 25-30 percent of its GNP.[1] This has undoubtedly helped to cause a significant rise in the standard of living of West Bank families, particularly among under-privileged income groups. Even more significant is the possibility that the employment of West Bankers in Israel has prevented what could have been a massive population exodus to Jordan and the Gulf states, this being largely restricted to well educated people not required in Israeli labour markets.

The negative consequences of this process, however, are no less significant though they may be less immediate. Most importantly it is feared that the labour drain into Israel initiated and sustained a severe stunting effect on the indigenous production base of the occupied territories. While it is true that labour flow to Israel has virtually eliminated unemployment among unskilled and semi-skilled labourers it has, on the other hand, stimulated a massive drain of farmers, artisans, and small businessmen into hired labour. This has accelerated the desertion of farming in marginal land and resulted in the dismantling of many small businesses which, in contrast to Israeli firms, do not have the financial and technological resources needed to absorb a sharp rise in prevailing wages. Consequently, local markets were flooded with Israeli goods purchased largely by wage earnings from Israel. This has minimized the "multiplier effect" of those earnings since they are quickly re-syphoned into Israel. In the meantime the occupied territories have been turned to a non-productive consumer society whose relative "prosperity" hinges on the continuity of their labour connections with Israel.

The potential political hazards of the high remittances/high consumerism formula are obviously grave. But they could be

1. Van Ardakie, op cit, p 64. More recent figures on national accounts do not make distinction between wage earnings in Israel and the West Bank.

even more catastrophic should Egypt and Israel go far enough in the "normalization" of their relations to the point when Egyptian workers are permitted to seek employment in Israel, hence displacing Palestinain workers employed there. Such risks should be seriously considered when formulating a strategy of agricultural development.

In strictly numerical terms, the relative share of West Bank and Gaza Strip labour in the aggregate Israeli work force is not great, rarely exceeding 7 percent. But their significance to the Israeli economy, however, is far out of proportion to their size. This could be perceived through a number of illustrative indicators, such as the following:

1. Labourers from the occupied territories are evidently much cheaper than comparable Israeli workers. According to Bregman Palestinian labourers earn around 50 percent less than their Israeli counterparts doing the same kind of work.[1] An analysis of aggregate wage earnings by the National Insurance Institute reveals an even more dramatic gap between wages of both groups (see Table III-8).

Table (III - 8)

Number of posts, total wages, and average monthly wage per post (Israel - 1979).

	Number of jobs (000)	Total wages (IL mill)	Average wage IL/post
Including workers from the territories	1,153.1	14,322.9	12,420
Excluding workers from the territories	1,103.7	14,050.3	12,730
Workers from the occupied territories	49.4	272.6	5,518

Source: Statistical Abstract of Israel 1980, op cit, p 339.

1. Arie Bregman, Economic Growth in the Administered Areas 1968-73, (Jerusalem: Research Department in the Bank of Israel, 1974) p 37.