

the following ideas are put forth as guidelines for development policies.

1. If viewed strictly on their economic merits, one may conclude a poor predicament for most economic and agricultural sectors as long as Israel is in control of the occupied territories. The researcher holds to a markedly different view. If Palestinian economists are to be drawn into dismissing developmental projects on the premise of negative economic feasibility, then this will signal the end for most areas of economic activity, possibly even many for which local residents may possess an economic comparative advantage. It is quite clear that Israel can and has the means ultimately to direct any economic sector to a situation where abandonment of that sector is the economically "rational" conclusion. But it is important to note, however, that Israel may incur for this purpose an exorbitant economic cost. It will be naïve therefore to refrain from supporting a more vigorous growth in an economic sector on account of inadequate economic viability.

In response to this paradox the researcher suggests evaluating development projects on the basis of what might be described as their "national viability" which, obviously, carries a definite political connotation. Consequently, financial liabilities entailed by inadequate profitability of certain projects should be considered as a national obligation rather than merely an entrepreneurial risk. In pursuance to this argument it becomes necessary to subsidize certain types of farming with a margin wide enough to raise their economic feasibility to a level sufficiently attractive to potential producers.

The concept of subsidizing agriculture in various forms is not

uncommon in countries enjoying the benefits of national regimes, whether with socialist or capitalist economies. Although subsidization of agriculture is justified on social grounds, its adoption in the occupied territories is further justified by the inequitable exposure of local produce to competition with Israeli products enjoying large subsidies and support.

Upon accepting the principle of selective subsidies, many practical questions remain to be solved, most importantly, how much is needed, where to get it, and how to channel it. Some of these questions will be answered in the remaining chapters.

2. Conforming with its policies of resisting any genuine development in the local production base, the Military Administration is expected to take a hostile stand against most proposed developmental projects. The most important measure they are likely to resort to for this purpose is to obstruct the flow of aid earmarked by Arab and foreign agencies¹. Alternatively, the Military Administration might try hard to manipulate the flow of appropriated aid in a way which serves its own political strategies, which are oriented towards creating a substitute leadership to the PLO².

This constraint to accelerated economic development in the occupied territories was raised with many politicians and economists. It is generally agreed that conditioning the flow of aid to Israel's approval is self-defeating and that a new strategy should be adopted, based on the following guidelines:

- a. The principle of soliciting Israeli approval on aid received

¹ Refer to Chapter IV for more details, especially under the section on Cooperatives.

² The most noted example is the creation of what are called "Village Leagues", which were discussed in Chapter IV under the section on Cooperatives.