

Tom de Quaasteniet

**Dutch  
Development  
Policy  
Towards the  
Middle East**

**PASSIA**

Palestinian Academic Society for the Study of International Affairs

Tom de Quaasteniet

A Study  
of Dutch Development Policy  
Towards the Middle East

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**Palestinian Academic Society for the Study of International Affairs**

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At that time most individual countries refrained from playing an active role in the field of development economics, although the policies of the United Nations found widespread support. The first steps with regard to bilateral development assistance were exclusively focussed on the maintenance of ties with the former colonies. In order to keep good relations financial support was given to the new independent states by the ex-colonizing power. The United Kingdom reserved a large part of its development aid for India and Bangladesh, France supported Martinique and New Caledonia, Italy aided Somalia and Ethiopia, Belgium funded Zaire and Rwanda and the Netherlands gave large amounts of aid to Surinam and Indonesia.

Development assistance with this limited scope continued to exist until the 1960s. During the United Nations decade of development, a call for larger development projects was widely heard. Many Western countries answered this call by creating new projects for a larger group of underdeveloped countries. An important cause for this new policy was the growing media coverage of the economic situation in the Third World. Pictures of people, suffering and dying because of severe lack of food, made governments and individuals more open-handed.

Another important reason was the development of a welfare state in Europe in the sixties. The growth of a publicly maintained system of social services combined with a situation of unprecedented wealth facilitated the acceptance of a greater role for state supported social projects in the Third World. Furthermore, Western governments also acted out of economic self-interest. By giving development aid to certain countries new markets for the products of donor countries could be found. The linkage of development aid with trade is now firmly established in many agreements with receiving countries.

The growth of development assistance to underdeveloped nations has been staggering. In 1948, the United Nations committed 288 thousand dollars

# Introduction

Development assistance is an issue that only gained preeminence after the Second World War. The war marked the end of a colonial period and created a highly visible difference between the Western rich industrialized countries and the former colonies who were more backward economically. The end of the Second World War was also the start of the Cold War which resulted in the global classifications of First, Second and Third World. Finally, the war led to the installation of several new important organisations, examples being the United Nations, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD, more commonly known as the World Bank).

In the first years after the war, the United Nations took the lead in tackling the economic problems of the Third World. In its report 'Measures for the Economic Development of Under-developed Countries'<sup>1</sup> it was acknowledged that economic development could never be achieved by underdeveloped countries on their own as population growth, large gaps between domestic savings and investment and between imports and exports, made this virtually impossible. International assistance was an absolute necessity, according to the United Nations and several development organisations<sup>2</sup> and a budget for technical and economic assistance were created.

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<sup>1</sup> Known as the famous "Lewis-Report", document of the United Nations E/1986. See also United Nations Resolutions 198, 200 and 210.

<sup>2</sup> On the long list of United Nations organisations figure the names of various organisations who are active in the field of economic development like, for example, ECOSOC, ILO, ICAO, UNRRA, FAO, WHO, UNESCO, IFC, SUNFED, UNSF, UNDP, UNICEF, UNRWA and UNCTAD.

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for technical assistance but by 1992, official development aid of all DAC-countries<sup>3</sup> had reached 60.8 billion dollars. In absolute terms, Japan and the United States are the largest donors, but according to the United Nations their donations are not large enough. The United Nations have set a target of 0.7 percent of Gross National Product (GNP), that a country should spend on development assistance. Currently, only four countries are able to meet this standard. (For a complete overview of development assistance expenditures by DAC-members, see Appendix I). In the European Community, the only country to fulfill this requirement is the Netherlands.

In the last 25 years, the wide support in Dutch society gave the Netherlands' government the opportunity to create a large development assistance programme. Since the 1960s the Dutch development community not only consisted of four large NGOs (Novib, Icco, Cebemo and Hivos - see Appendix II), funded by the government, but also of numerous institutions, foundations and committees who considered aid to be the most important issue in international relations. Religious organisations, country-committees, humanitarian organisations, voluntary organisations, unions and municipal groupings, all started their own development projects and pressured the government to enlarge its activities in the Third World. As a result, the Dutch achieved a very positive image in the world community and their innovative development policy was considered to be an example to other states.

However, although the Netherlands did play through the years a leading role with its development policy in Europe, a lot of the applause is unjustified. The Dutch process of image building in front of the international community gave a lot of people a misty view of the actual policies. On many

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<sup>3</sup> The Development Assistance Committee (DAC) was created in 1961 and is part of the Organisation of Economic Cooperation and Development (OECD). The DAC, among other things, calculates the amount of aid given by the member-countries. Members are Belgium, Canada, France, Germany, Italy, Portugal, United Kingdom, United States of America, Japan, the Netherlands, Norway, Denmark, Sweden, Australia, Switzerland, New Zealand, Finland, Austria, Spain and Luxembourg.



occasions, the Dutch selection procedures were rather dubious and in the case of the Middle East particularly, Dutch selection policy was consistently trailing behind events. It was only after the 1973-1974 oil crisis, for example, that the Netherlands initiated a full scale development programme towards the Middle East.

This paper explores Dutch development policy towards the Middle East dealing with the selection procedures, the amount of aid given and providing a critique of this policy. Special attention is given to development assistance towards the Occupied Palestinian Territories, because the Netherlands proved to be the backbencher of Europe by instigating an aid programme extremely late.

# Chapter I

## Dutch Development Policy towards the Middle East

### Introduction

The Dutch consider themselves to be a generous people. Each year billions of guilders are destined for development aid. Most aid, about six billion guilders,<sup>4</sup> is channelled through government agencies. Furthermore, private fund raising activities gather more than three million guilders from individual donors. This means that each year in the Netherlands four hundred guilders per capita are spent on development aid.

As a by-product of this interest, an enormous amount of development literature has been produced and it would now take a very large library to collect all the literature available on Dutch development policy. It is therefore remarkable that there is no publication that has investigated Dutch policies towards developing countries in the Middle East.

Dutch development policy towards the Middle East does not have a long tradition. The first contacts were established in the early sixties, but existed only in the form of small financial contributions and only after 1973,

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<sup>4</sup> In March 1994 \$1 was equal to 1.90 guilders.

could Arab countries enter the competition for aid resources. However, the total number of aid-receiving countries remained limited through the years. The amount of money the Dutch government reserved for development assistance to the region did not exceed eight percent of the total budget for bilateral development aid.

The Middle East nevertheless contains a lot of countries that can be described as developing countries. According to the World Bank's World Development Report<sup>5</sup> half the countries of the Middle East belong to the categories of 'low-income countries' and 'low middle-income countries'. These groups of countries have a Gross National Product (GNP) per capita of less than 500 and 2,000 dollars respectively (see Appendix III).

The United Nations Development Programme (UNDP) measures poverty by including factors such as adult literacy, longevity and health care standards in its index. According to the Human Development Index (HDI) of the UNDP, the development situation in most Middle East countries can be described as either miserable or at best tolerable (see Appendix IV).

On the basis of this data it can be argued that at least ten countries in the Middle East should be considered for receiving financial support from Western governments. The countries involved are Sudan, Mauritania, PDR Yemen (the low-income countries) and Yemen AR, Egypt, Jordan, Morocco, Syria, Tunisia and Turkey (the low middle-income countries).

In this chapter Dutch development policy towards the region will be analysed and criticized. First, the recipient countries, the total amount of aid and the motivation from the Dutch government to select these countries will be analysed. Second, attention will be paid to those countries who were not considered for receiving Dutch development assistance. At the same time the

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<sup>5</sup> World Bank, World Development Report, New York, 1990

actual choices will be compared with the formal criteria of the Dutch Department of Development Cooperation.<sup>6</sup> Finally, special attention will be given to Israel and the Occupied Palestinian Territories whose aid programmes have an extraordinary position on the budget of the department.

### **The Amount of Aid**

Development aid<sup>7</sup> and other forms of cooperation with developing countries have always been concentrated on a small selected group of recipients. Since 1980 the development efforts of the Dutch Department for Development Cooperation included assistance to seven countries in the Middle East. Three out of these seven countries have a special long-term development relationship with the Netherlands:- Egypt, Sudan and Yemen AR (which merged on 22 May 1990 with PDR Yemen) and are, therefore, labelled 'concentration' countries. Turkey and Tunisia still received some development aid in the early eighties. In the sixties and seventies they had the status of 'concentration' countries and the Dutch government wanted to finish the relationship gradually.

Through the years Mauritania received only small amounts of aid. The country is, together with eight other countries, part of the Sahel-region, for which a small amount of aid is allocated.

A special position on the Dutch development budget is taken by Israel. The Dutch government places funds at Israel's disposal for cooperative activities on behalf of developing countries. Since 1989, the Territories

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<sup>6</sup> Actually, there is no separate Department of Development Cooperation. Official development policy is coordinated by the Directorate of International Cooperation (DGIS), a special section of the Department of Foreign Affairs. Because of the fact that the Dutch cabinet does have a minister of Development Cooperation it is common language to call this section the Department of Development Cooperation.

<sup>7</sup> Although the words 'aid' and 'development cooperation' are often used interchangeably, the former refers only to the donor's transfer of financial and technical resources, while the latter emphasizes the mutual aspects of the donor-recipient relationship and includes for example trade cooperation.

occupied by Israel (the West Bank and the Gaza Strip) also receive small amounts of financial support. The table below gives a clear overview of the amounts of bilateral development aid given by the Netherlands to Middle Eastern countries.

**Dutch Development Aid to Countries in the Middle East  
(in millions of guilders)**

Country	1982	1984	1986	1988	1990
Egypt	46,2	58,7	65,5	41,5	78,7
Yemen AR	33,9	43,0	55,7	69,2	54,7
Sudan	70,2	89,8	128,6	132,4	113,0
Turkey	3,5	1,3	--	--	--
Tunisia	8,5	24,1	24,5	11,5	9,8
Mauritania	2,5	8,5	9,5	11,5	21,5
Israel	8,0	8,0	8,0	8,0	8,0
Occupied Territories	--	--	--	--	5,4

*Source: Voorlichtingsdienst Ontwikkelingssamenwerking, Jaarverslagen Ontwikkelingssamenwerking (Annual Reports on Development Cooperation), The Hague, (selected years) and Organization for Economic Cooperation and Development, Development Cooperation: Efforts and Policies of the Members of the Development Assistance Committee, Paris, (selected years).<sup>8</sup>*

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<sup>8</sup> The figures are based on definitions set by the Development Assistance Committee (DAC) of the OECD. The Dutch aid budget statistics sometimes differ from the figures presented above, as they concern commitments rather than disbursements. Furthermore, the DAC does not include expenses like development aid administration and activities undertaken within the Netherlands (like information campaigns, research, etc.).

## **Selection Procedures**

From 1967 to 1977 the Dutch formulated the basic foundations of their development policy. The aid ministers Udink (1967-1971) and Pronk (1973-1977) were primarily responsible for the choices regarding purposes, methods, priorities, and allocation criteria. During their time in office the political pressure from interest groups, industry and other departments was considerable. After 1977 most choices were made and it sufficed to discuss potential removals and the actual allocation of funds.

In 1968, Minister Udink disclosed the first Dutch criteria for development assistance. These criteria (the existence of an aid consortium, the level of development, the existing concentration of aid and the economic ties between the Netherlands and the countries involved) clearly implied a restriction in the possibilities. For example, many countries in the region did not have an international aid consortium. Furthermore, economic ties between the Netherlands and the four most poverty-stricken countries in the region were almost non-existent. A country like Yemen AR, which belonged at that time to the Least Developed Countries (LDC's), did not receive much development aid and therefore an international aid consortium or a consultative group had not been established. Because it had no possibility to export any goods of value, it could also not comply with the criterium of economic ties with the Netherlands.

The actual choice therefore became rather obvious. In 1968, the budget of the Department of Development Cooperation allocated funds to eleven countries from the Middle East region, including Sudan and Tunisia. They were largely picked because of the fact that they had an aid consortium, economic ties with the Netherlands, and had already received some development aid in 1967.

Before making these choices Minister Udink had to withstand enormous political pressure. The Central Chamber of Commerce exerted pressure on the minister to choose a heartland country of the Middle East. In their eyes Egypt, Sudan and Syria were viable candidates to be put on the DAC-list.<sup>9</sup> The Central Organisation for Foreign Economic Relations also constantly tried to promote countries in the Middle East.<sup>10</sup>

The ministers of Agriculture and Economic Affairs advocated an enlargement of the list as well and because of its economic potential, were very much in favour of Turkey. The Department of Justice and especially the Department of Education, supported this political lobby for Turkey. They were convinced that when Turkey was added to the list, part of the costs of Turkish migrants in the Dutch society could be removed from their budget to the budget of Development Cooperation. However, Minister Udink considered this to be an unacceptable pollution of his aid-budget and therefore refused the admission of Turkey to his list.<sup>11</sup>

Under his successor, Minister Boertien (1971-1973), the pressure became stronger. With the extension of the list in 1973, Turkey was admitted and received funds from the budget. The fear of a transfer of costs from other Departments to the budget of Development Cooperation proved to be incorrect at that time.

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<sup>9</sup> Evidence of this can be found in internal documents of the Department (30 March 1973 and 25 April 1974), as stated in Hoebink, P., Geven is nemen: de Nederlandse ontwikkelingshulp aan Tanzania en Sri Lanka ('To give is to take: Dutch development assistance to Tanzania and Sri Lanka'), Nijmegen, 1988, p.257.

<sup>10</sup> Grünfeld, F., Nederland en het Nabije Oosten: de Nederlandse rol in de internationale politiek ten aanzien van het Arabisch-Israëliësch conflict, 1973-1982 ('The Netherlands and the Middle East: the Dutch role in international politics concerning the Arab-Israeli conflict, 1973-1982') Deventer, 1991, p.119.

<sup>11</sup> Maas, P., 'Kabinetsformaties en ontwikkelings-samenwerking' ('Cabinet formation and development cooperation'), in: A. Melkert (ed.), De volgende minister: Ontwikkelingssamenwerking binnen het kabinet, 1965 tot ? ('The next minister: development cooperation in the Dutch cabinet, 1965 to ?'), Den Haag, 1986, p.39.

The appointment of Minister Pronk in 1973 was a watershed in Dutch development policy. Pronk announced a new policy with regard to the methods of development aid and he raised the total amount of aid rather drastically. He realised a target for gross aid of 1.5 per cent of Net National Income (NNI).

His criteria for selection also proved to be a clear change from the policies of his predecessors. His criteria were, first, the prevalence of poverty, second, the specific need for aid and third, the existence of a socio-political structure that could improve the economic situation of a country and guarantee that aid will benefit the whole society. Furthermore, Pronk stressed human rights, continuity in the relationship, geographic spread of concentration countries and the existence of historic ties.

Because of the amount of selection criteria the discussions over the countries to be chosen were long and intense. The oil crisis of 1973-1974, of which the Netherlands became a prime victim, forced the Dutch government into a shift towards the Arab world. Although sales of natural gas helped to cushion the effects of the first oil shock, the Dutch government realised that out of economic self-interest they had to reconsider their political ties with Middle East countries.<sup>12</sup>

From that moment on the political pressure from the Central Chamber of Commerce and the Central Organisation for Foreign Economic Relations became successful. Together with the Department of Economic Affairs they exerted pressure on minister Pronk to allocate development aid to Egypt, Sudan and Syria. In an interview Pronk admitted that he was extremely irritated by these pressures because it would have implied that development policy was made by industry instead of the Department of Development

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<sup>12</sup> 'Dutch expertise goes from strength to strength', in Middle East Economic Digest (special business feature), September 1982, p.3.



Cooperation.<sup>13</sup> Pronk's refusal to put Syria on the list, therefore, seemed to be a sign that he was not willing to give in completely to the wishes of industry.

The countries chosen by Pronk in 1975 to become concentration countries were Egypt, Sudan and Yemen AR<sup>14</sup> while Turkey and Tunisia were to be removed from the DAC-list. It was decided that aid to Tunisia and Turkey would be gradually reduced in order to minimize the losses of things like unfinished projects. Both industry and the other departments approved of this choice, since it could ameliorate political and economic relations with the Middle East.

### Criticism

With regard to this selection of countries some criticism is justifiable. On the basis of the first criterium (prevalence of poverty), it is a logical choice to trade Tunisia and Turkey for Egypt and Yemen AR, who are clearly poorer. On the other hand, the region has countries which are far poorer than Egypt and Yemen AR which did not become concentration countries, Mauritania and PDR Yemen are good examples. Furthermore, the choice of Egypt, Sudan and Yemen AR is detrimental to the criterium of geographical spread. These countries are effectively neighbouring countries.

Also in regard to the second criterium (the specific need for aid) some questions can be asked. The choice of Yemen AR is correct since this country did not receive any aid from the donor-community, except for Saudi-Arabia. In the case of Egypt however, the situation is different. This country received large amounts of aid for many years, especially from the United States. For

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<sup>13</sup> Grünfeld, *Nederland en het Nabije Oosten*, p.120.

<sup>14</sup> Grünfeld argues that Yemen AR was put on the list because it had the highest poverty rate of the region. This argument is not correct. The appendices show that Mauritania, Sudan and PDR Yemen had far worse economic conditions in that period.

this reason Dutch development aid to Egypt is only one percent of the total amount of foreign aid to this country.<sup>15</sup>

The fact that Egypt has been chosen against the criteria seems to be a direct result of the growing importance of the political component of Dutch development policy. If you want to keep friendly relations with the Arab world it is better to give financial support to a political heavy-weight like Egypt than to give money to a country at the margin of the Arab world, like Mauritania. According to Joris Voorhoeve:

"Egypt was included because of the need to maintain a dialogue with an important Arab country and bring some balance to Dutch Middle East policy which had been perceived in the Middle East as being pro-Israel."<sup>16</sup>

In the case of Yemen AR the argument is acknowledged by the Department in a policy paper.

"The Dutch decision to make Yemen AR a concentration country was influenced by the fact that it belonged to the Arab world. It seemed that aid to Yemen AR was desirable and from a political-economic point of view opportune."<sup>17</sup>

The third criterium of Pronk makes Yemen an odd choice. According to this criterium an aid-receiving country should have a socio-political structure that can improve the economic situation. Although this criterium was vaguely formulated the Department acknowledged in 1985 that Yemen AR could not meet this criterium.

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<sup>15</sup> Directoraat-Generaal Internationale Samenwerking van het ministerie van Buitenlandse Zaken, Beleidsplan voor de ontwikkelingssamenwerking met Egypte voor de jaren 1989-1992 ('Policy paper on development cooperation with Egypt for the period 1989-1992'), The Hague, 1988, p.9.

<sup>16</sup> Voorhoeve, J.J.C., Peace, profits and principles, a study of Dutch foreign policy, Leiden, 1985, p.267.

<sup>17</sup> Landen- en regiobeleidsplannen: Noord-Jemen, ('Papers on country and regional policies: the case of Yemen AR'), The Hague, Netherlands Parliament, Second Chamber proceedings 1985-1986. No.19410 (1), p.52.

"When the Netherlands entered a relationship with Yemen AR in 1975 there was no social or economic infrastructure on the national level. The government only had some global ideas on the future development of the country but almost everywhere knowledge and experience were lacking."<sup>18</sup>

A last remark should be made about the criterium of human rights, regarding which Pronk was severely criticized during his first years as a minister for the half-hearted way in which he dealt with this issue. Human rights were abused in many parts of the world without any consequences to Dutch development programmes. In Egypt, Sudan and especially in Yemen AR there were many human rights abuses. The Department tried to avoid this problem by arguing that it had not enough factual knowledge or claiming that most activities were legal.

"We did not know anything about the human rights situation in Yemen AR. The Netherlands just gave Yemen AR the benefit of the doubt...Currently the human rights situation can be called reasonable...The death penalty is indeed executed but always within the existing legal framework."<sup>19</sup>

### **"Winners and Losers"**

As was shown in the last paragraph, Minister Pronk's choice of Egypt, Sudan and Yemen AR in 1975 was not completely in accordance with his own criteria. The criteria of a specific need for aid (Egypt), the existence of a social-political structure committed to improvement (Yemen AR), human rights and geographical spread (all three countries), were all neglected by these choices. In the early eighties, especially under Minister Schoo (1982-1986), these countries met most policy criteria, but this was largely realized through a reformulation of Dutch development policy. For the ministers of

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<sup>18</sup> Ibid.

<sup>19</sup> Jaarverslag Ontwikkelingssamenwerking, 1985 ('Annual report on development cooperation, 1985'), The Hague, 1986.

Development Cooperation in the eighties there were only two criteria of importance. These were the poverty-criterion and the strong wish to establish long and stable development relations with the recipient countries.

In the introduction it was stated that in principle ten countries in the region could be considered for Dutch development assistance. Mauritania, Sudan, Egypt, PDR Yemen, Yemen AR, Jordan, Syria, Morocco, Tunisia and Turkey all met the poverty criteria of the World Bank and the UNDP. However, the Dutch way of defining poverty makes it likely that Jordan and Syria were never seen as potential concentration countries by the Department of Development Cooperation. On the other hand, both countries were poorer than Turkey, for example.

For some countries in the Middle East the Dutch selection policy seemed less logical. PDR Yemen, Mauritania and Morocco belonged to the poorest countries in the region. On the basis of the poverty criterion of Minister De Koning (1977-1981), a maximum GNP of 550 dollars per capita, Mauritania (426 dollars), PDR Yemen (470 dollars) and Sudan (521 dollars) would have been important candidates. Egypt (563 dollars) and Yemen AR (772 dollars) could not comply with the Dutch criterion. Nevertheless Mauritania, PDR Yemen and Morocco did not get the status of concentration countries. Neither were Egypt and Yemen AR removed from the list, although the Dutch poverty criterion was meant to be a threshold value.

Under Minister Schoo the situation remained largely the same. Her poverty criterion, a GNP of 795 dollars per capita, should have resulted in the removal of Egypt (1057 dollars) in 1985. Sudan (297 dollars) and Yemen AR (734 dollars) could remain on the list, but Mauritania (363 dollars), PDR Yemen (530 dollars) and Morocco (593 dollars) could have been introduced as well (see appendix III for the GNP figures of Middle East countries).

The possibility of supporting Morocco, Mauritania and PDR Yemen as concentration countries has never been given serious consideration by the Department of Development Cooperation. This is remarkable, especially in the case of Morocco. Since the early sixties a much repeated argument to put Turkey on the list was the fact that Turkey was an important country of origin of migrants in Dutch society. It can be argued that Morocco has a comparable position to Turkey but nevertheless Morocco did not achieve the status of a concentration country.

When talking about Morocco, civil servants at the Department always stressed the human rights situation and the enormous foreign debt. In addition, Morocco still wastes a lot of money in a lasting war against the liberation movement Polisario in the occupied Western Sahara.

The only development assistance Morocco received from the Dutch was in the form of so-called Small Embassy Projects. The Dutch finance, through their embassies, small development projects in almost all Third World countries. Morocco received in the period from 1980 to 1990 about eighteen million guilders for these projects.<sup>20</sup>

In the case of Mauritania it has been taken into consideration to allocate more funds to this country. The first development projects, set up within the framework of a sector programme, produced disappointing results. The complete failure of the "Rosso" irrigation project in particular, was to cause development relations between Mauritania and the Netherlands to reach their lowest point. According to the department, other countries in the Sahel-region proved to be more cooperative.<sup>21</sup>

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<sup>20</sup> Interview with Jan Jaap Kleinrensink, head of the Information Service of DGIS, 4 november 1991.

<sup>21</sup> Jaarverslag Ontwikkelingssamenwerking, 1989 ('Annual report on development cooperation, 1989'), The Hague, 1990, p.76.

Ignoring PDR Yemen seemed to have had a different origin. The bad economic situation has been acknowledged by the Dutch for many years. In all policy papers on the economic situation in Yemen AR it is argued that Yemen AR is far better off than its southern neighbour.

"The economic situation in the south is poignant. The south is as poor as a church-mouse, the economy has a deplorable record and insufficient agricultural activity makes it impossible for the state to feed its own people. On the other hand, Yemen AR, with the help of the Arab oil-states, the donor community and the investments of Yemenite migrants, has reached in fifteen years time an important state of development."<sup>22</sup>

The fact that PDR Yemen was not chosen by the Department of Development Cooperation appears above all to be politically motivated. Already in the early seventies certain interest-groups in Dutch society demonstrated against rendering assistance to apparent Marxist regimes in the Third World. When Minister Pronk announced in 1975 that Cuba and Jamaica would become concentration countries there was huge opposition from right wing political parties and the conservative press. The Dutch magazine Elsevier printed Pronk on its front page with a Castro cap and a Havana cigar.<sup>23</sup> When Pronk left office, aid to these countries was immediately halted.

Marxist oriented PDR Yemen had politically speaking no chance to be accepted as a concentration country. The Cold War demagogy used against Cuba and Jamaica, would have escalated if a third communist country had been added to the list. Furthermore, PDR Yemen was stigmatized by the United States for being a country that supported terrorist activities, in much the same way as were Syria and Libya.

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<sup>22</sup> Een wereld van verschil: nieuwe kaders voor ontwikkelingssamenwerking in de jaren negentig ('A world of difference: new guidelines for development cooperation in the nineties'), The Hague, Netherlands Parliament, Second Chamber proceedings 1990-1991. No.21813 (1-2), p.260.

<sup>23</sup> Elsevier, 30 April 1977.

Because Mauritania, Morocco and PDR Yemen were not taken into consideration for development aid by the Dutch government the credibility of the poverty criterium was seriously undermined. Especially while the positions of Israel, one of the richest countries in the region, and Tunisia on the budget were hardly ever discussed.

With the reappearance of Pronk in 1989 as Minister of Development Cooperation these issues were tackled. In his white paper on development cooperation in the nineties, A World of Difference, he instigated measures to end these irregularities. First of all, the paper acknowledges the false position of Tunisia and announces that all forms of aid to this country will be ended.<sup>24</sup> Second, the paper states that concentration countries will no longer exist. These countries will be integrated in so-called development regions. Egypt, Sudan and Yemen together form the Nile and Red Sea region, which means that they have the same status as Mauritania, a member of the Sahel region.<sup>25</sup> However, this measure does not have any financial consequences. As a result, Mauritania can not profit from the fact that it has been put on the same level as Egypt, Sudan and Yemen.

The merger of PDR Yemen and Yemen AR into the Republic of Yemen on 22 May 1990, facilitated a solution to the question of giving aid to the southern country. According to the paper:

"The cleavage between the two countries could only be bridged when perestroika and political change in the Soviet Union ended the Cold War. From that moment on there was room to manoeuvre towards a merger. In the south of the Arab Peninsula borders have been literally and figuratively removed."<sup>26</sup>

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<sup>24</sup> Een wereld van verschil, p.304

<sup>25</sup> *Ibid*, p.303

<sup>26</sup> *Ibid*, p.259.

For the department of Development Cooperation it was logical to extend its development programmes to the south. However, this could only happen gradually since most projects were concentrated in the northern regions of Al Bayda, Dhamar and Tihama. Nevertheless, in 1991, the Netherlands decided to intensify this policy. The Gulf War over Kuwait resulted in a sharp reduction of aid from the donor community to Yemen, making the Netherlands the second largest donor.

The issue of human rights also gained importance for Minister Pronk in the 1990s. When, after several warnings, Sudanese promises to commit itself to human rights failed to materialize, Sudan's access to Dutch aid was restricted in 1991.

### **The Exception: Israel and the Occupied Territories**

A special position on the budget of Development Cooperation is taken by Israel. In the 'international education' category, there is an entry called 'collaboration agreements', through which Israel receives about eight million guilders each year.

This relationship between the Netherlands and Israel was established in 1970. From that year on the Dutch and Israeli governments worked together:

"...in order to make Israeli knowledge and experience of development issues available for Third World countries. This collaboration has grown into an Israeli education-activity financed by the Dutch government."<sup>27</sup>

The position of Israel on the Dutch development budget is somewhat astonishing because Israel is one of the richest countries in the region.

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<sup>27</sup> Jaarverslag Ontwikkelingssamenwerking, 1989, p.45



Furthermore, Israel's policies have been severely criticized throughout the eighties. The continued occupation of the Gaza Strip and the West Bank is contrary to Resolutions 242 and 338 of the United Nations and the annexation of the Golan Heights and East-Jerusalem has also been condemned by the international community.

The undisputed position of Israel on the budget continues to exist because of the strong historic ties between the Netherlands and Israel. There is a large political majority of confessionalists, socialists, and liberals in the Dutch parliament who stand up against any proposal for change in the relationship with Israel.<sup>28</sup>

In 1989 it seemed that Minister Pronk wanted to change the Dutch development relationship with Israel. Plans were circulated within the Department about ending most financial aid unless there was a specific need from developing countries to take an Israeli course. Early in 1992, it became clear that some measures were taken, there were no consequences, however, to the volume of financial assistance.

Israel is therefore an exceptional case in Dutch development policy. First, Israel cannot meet the Dutch development criteria, but the funds for the programme Netherlands-Israel are largely for the benefit of the Israeli society. Second, Israel does not comply with the rules of the international community. Third, Dutch Middle East policy is firmly against the Israeli policy of settlements in the Occupied Territories and the Israeli abuse of human rights.

In a recent policy paper the Department of Development Cooperation condemns the Israeli violation of the regulations of the Geneva Convention,

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<sup>28</sup> See the article: Teeffelen, T. van, 'De Midden-Oostendiscussie in Nederland' ('Dutch discussions on the Middle East'), in: P. Aarts en B. van Heijningen (ed.), *De Arabische uitdaging* ('The Arab challenge'), Rotterdam, 1982, p.69-85.

the growing Israeli human rights abuses and the excessive force used by the Israeli military.<sup>29</sup>

Although human rights have become an important criterium of development policy, the Minister of Development Cooperation still has not ended the relationship with Israel. Fear of a confrontation with parliament seems to be the largest obstacle. But Minister Pronk has dared to tackle the subject of giving development aid to the Occupied Palestinian Territories.<sup>30</sup>

Already in 1988 Minister Bukman had initiated a reconnaissance mission to study the possibilities for a development relationship between the Netherlands and the Occupied Territories. It was decided that financial assistance should be given, but not in the form of bilateral aid. Funds would be channelled through multilateral organisations (especially UNRWA, the United Nations Relief and Work Agency) and Dutch NGOs (especially Novib and Icco).

In 1989 five million guilders were destined for the Occupied Territories, of which the largest part went to the Gaza Strip. The emphasis was put on Gaza because this area was extremely poor and, according to the Dutch, largely neglected by international organisations.

For the time being the programme for the Occupied Palestinian Territories is kept low profile by the department. Civil servants in the department acknowledge that giving aid to the West Bank and Gaza is a politically sensitive issue and has, therefore, tried to avoid questions from the Dutch parliament.

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<sup>29</sup> Directoraat-Generaal Internationale Samenwerking van het ministerie van Buitenlandse Zaken, Beleidsplan voor de periode 1992-1995: Regio Nijl en Rode Zee ('Policy paper on the region Nile and Red Sea for the period 1992-1995'), The Hague, 1992, p.15-16.

<sup>30</sup> The occupied territories are defined by Development Cooperation as comprising only the Gaza Strip and the West Bank, including East-Jerusalem. The Golan Heights are not mentioned. See: Beleidsplan regio Nijl en Rode Zee, p.11-12.

The current programme for the Occupied Palestinian Territories is clearly based on the idea of future Palestinian autonomy. It is very uncertain what will happen if this autonomy is not realised. Furthermore, it remains to be seen what will happen if the Dutch parliament intervenes. Finally, it is remarkable that the Occupied Territories receive only five million guilders, while its far richer occupier gets eight million guilders per annum for an education programme. The positions of both Israel and the Occupied Territories on the budget can therefore be rightly called exceptional cases.

### **Conclusion**

The recent measures taken by the Dutch Department of Development Cooperation have changed the questionable policies towards the Middle East. From the group of Least Developed Countries originally only Egypt, Sudan and Yemen AR received development aid. The merger of both Yemens made it possible to extend aid to the former southern republic. The replacement of the system of concentration countries by a regional framework has put Mauritania on a more equal footing with the former concentration countries. Furthermore, in the eighties the allocation of funds to Turkey and Tunisia has been largely ended. A final favourable change is the decision to give financial assistance to the Occupied Palestinian Territories.

In the new situation finally the poorest countries in the region are supported. Mauritania, Sudan, Egypt, Yemen and the Occupied Palestinian Territories are all on the budget of the department. From the Least Developed Countries only Morocco is excluded from Dutch development aid.

It took the department more than twenty-five years to come to these decisions. An important cause of this long lapse of time has been the enormous political pressure by interest groups, industry and some departments. Industry wanted short-term relations in order to create economic ties. The economic potential of the eastern part of the region motivated

industry to lobby for development projects for the Arab world. Industry feared that neglect of the Middle East would result in vulnerable political ties, because of the Netherlands' pro-Israeli policies. The oil-crisis of 1973-1974 proved to them the need to establish strong political and economic links with the region, including development relations.

The political pressure of other departments was largely based on the need to relieve their own budgets. The Department of Education thought development cooperation would pay for the education of migrants and the Department of Justice thought likewise. The Department of Economic Affairs used its political power to support the lobby of industry.

In addition, there was pressure from political parties and the press who had their own criteria for development cooperation and rallied against potential candidates who were, in their eyes, unsuitable. In the period of the Cold War, countries who supported the socialist development model and sometimes even countries belonging to the non-aligned movement had to suffer. Also the continued presence of Israel in the budget is a result of strong support from political parties and the press.

The selection of countries to receive aid was therefore never the result of a correct assessment of the economic situation of the countries involved, nor of the criteria for development aid set up by the different ministers. Only after twenty-five years does rationality seem to have become stronger than power.



# Chapter II

## Development Assistance towards the Occupied Palestinian Territories

### Introduction

"The economy of the Occupied Territories is currently in turmoil. Income levels have stagnated over the past decade; unemployment and underemployment are rising rapidly; infrastructure and social services are grossly overstretched."<sup>31</sup>

The World Bank's special report on the Palestinian economy, published in the summer of 1993, leaves little room for doubt. According to the World Bank, GDP per capita in the West Bank is about 1050 dollars, while that in Gaza reaches only 650 dollars, placing the Occupied Palestinian Territories among the poorest areas in the region.

The difficult state of the Palestinian economy, which is largely due to the Israeli occupation, is only softened by one important source of income: international aid. Since the occupation of the West Bank and Gaza in 1967 by Israeli forces, several international donors have tried to make the economic

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<sup>31</sup> Quoted in The Middle East, October 1993, p. 11

situation in the two Territories more tolerable. In the early years, Arab Gulf states particularly made large disbursements of aid.

In recent years, however, Arab aid has declined in importance. The two largest donors of aid to the Occupied Palestinian Territories in the 1990s were UNRWA, with a budget of 84 million dollars, and the European Community donating more than 60 million dollars. Other international organisations who reserve funds for the West Bank and Gaza are UNDP, UNICEF and the WHO. Furthermore, individual nations, like Germany, France, Canada and the Netherlands give aid to the Territories. Finally, private organizations and several NGOs have instigated development projects.

This chapter focusses on the aid activities towards the Occupied Palestinian Territories. It starts with a short examination of the Palestinian economy. Next, attention is drawn to the donor community, highlighting the policies of two different donors, the European Community and the Dutch government.

### **The Palestinian Economy under Occupation**

The Palestinian economy has seriously deteriorated after 25 years of occupation. It is of course tempting to attribute the poor economic performance of the West Bank and Gaza Strip exclusively to the Israeli occupation. One has to take into account, however, that any territorial entity with a population of about two million people, as is the case with the West Bank and Gaza, must inevitably be dependent on its neighbours, in this instance, Israel and Jordan. The dependency relationship between Israel and the Occupied Palestinian Territories is, however, clearly biased and causes unnecessary damage to the different sectors of the Palestinian economy.

Economic relations between the Occupied Palestinian Territories and Israel have become since 1967 one of the central instruments of conflict.

Given the sharply divergent claims and aspirations and the deep-rooted mistrust, it was not surprising that in most cases, both sides embarked on collision courses in their economic relations and not cooperation. Therefore, instead of playing a pacifying role, economic issues aggravated the differences between Israelis and Palestinians.

Israel's economic policies in the Occupied Territories are upheld by a number of intertwined objectives, targeted foremost to meet Israel's interests. Until the intifada, those objectives were, first, facilitating the maximum Israeli exploitation of local markets and natural resources, especially land, water and labour. Second, Israel wanted to maximize the Territories' dependency on Israel, whether in regard to sources of disposable income or basic goods or services. Third, indigenous productive sources in the Territories were undermined in a way which preempts the establishment of a Palestinian state. This process has by necessity involved the subordination of the Territories major economic sectors into those of Israel.<sup>32</sup>

Since the start of the intifada in December 1987, Palestinian efforts have been directed towards reducing the economic dependence on Israel and reinforcing the weakened economic base. Successes have been marginal so far, mainly because the Israeli authorities took steps to frustrate initiatives aimed at self-reliance. Developments in the international political arena, like the reduction of Arab aid due to the stance of the Palestinian Liberation Organisation during the Gulf crisis, also didn't benefit the areas' economic prospects.

If one takes a closer look at the Palestinian economy, it is clear that the West Bank and Gazan economies are both basically agricultural, with little industrial activity historically. The cultivated area of the Territories is limited,

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<sup>32</sup> Hisham Awartani, 'The Palestinian economy under occupation', in: Erik Denters and Jacqueline Klijn (ed.), Economic Aspects of a Political Settlement in the Middle East, Amsterdam, 1990, p. 15.



reflecting their small size, limited rainfall, and in the case of the West Bank, the upland nature of the terrain. The total area under cultivation in the West Bank is less than 2,000 square kilometres, while that of the Gaza Strip is only 200 square kilometres.

The Palestinian economy of the two Territories has been squeezed by Israeli settlements established on over ten percent of the land area (almost forty percent in the case of the Gaza Strip), and use an even greater proportion of the Territories' water resources. Currently, the Israeli population consume over ten times the amount of water Palestinians use per capita. In any case, irrigation by Palestinians in the West Bank is minimal (about five percent), though in Gaza the proportion exceeds 45 percent.<sup>33</sup>

The main output in Gaza is citrus production, with grapefruit, oranges and lemons as the predominant crops. Other fruits produced are watermelons, bananas, peaches, apricots and apples. Vegetable output includes potatoes, tomatoes, garlic, carrots, courgettes, aubergines, peppers and onions. This output ensures local self-sufficiency, regarding fruits and vegetables, but apart from citrus, there is little left for export.

Agricultural production on the West Bank is larger and much more varied than in Gaza. Potatoes, tomatoes, carrots, onions and cabbages are grown in large quantities together with citrus and bananas. Major fruit production is concentrated in the Jordan Valley near Jericho. Olive oil production has been important in the West Bank, but is now steadily declining. Marketing problems are a major constraint and low prices on the

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<sup>33</sup> See: D. Kahan, Agriculture and Water Resources in the West Bank and Gaza, Jerusalem, 1987; J.D. Dillman, 'Water Rights in the Occupied Territories', in: Journal of Palestine Studies, vol. 19, no. 1, 1990; S.S. Elmusa, 'Dividing the common Palestinian-Israeli waters: an international water law approach', in: Journal of Palestine Studies, vol. 22, no. 3, 1993.

world market have reduced revenue. As a result, the olive trees are often neglected.<sup>34</sup>

The Occupied Palestinian Territories have little industry. Most traditional manufacturing is closely related to agriculture. Fruit packing, for example, is considered to be an industry in the Territories. Gaza has the largest single citrus packing plant in the whole region. Nevertheless, other major manufacturing activities are non-existent. Smaller industries include the pressing of olives to produce olive oil and handicraft production, like the leather industry for the tourist market of Jerusalem. The soap industry employs under fifty people.<sup>35</sup>

Industrial development has always been minimal. Up to 1967, when the West Bank was part of Jordan and Gaza part of Egypt, the major manufacturing centres were located outside the Territories. The Jordanian government, for example, actively promoted Amman as the regional industrial centre, thereby causing stagnation in Hebron, Nablus and East Jerusalem.

Israeli employment statistics show the limited extent of industrialisation. Only 10,750 Palestinians are classified as working in industry on the West Bank and a mere 6,769 in the Gaza Strip.<sup>36</sup> Of course, a much larger number of Palestinians are employed in the Israeli industry, although the influx of Russian migrants in Israel and the prolonged curfew policies of the Israeli authorities certainly diminished their importance.

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<sup>34</sup> At this moment, about twenty percent of total agricultural export every two years is olive oil. See: Rodney Wilson, 'The international economic relations of the Palestinian economy', in: Denters and Klijn, Economic aspects of a political settlement in the Middle East, p. 96-97.

<sup>35</sup> Fawzi Gharaibeh, The Economies of the West Bank and Gaza Strip, Boulder, 1985, p. 83-94.

<sup>36</sup> Israeli Bureau of Statistics, Judea, Samaria and Gaza Area statistics, vol. 16, no. 3, 1986, p. 43-46.

The third sector of the Palestinian economy, trade, is also of small economic importance. Historically, the West Bank and Gaza traded little with the outside world. After 1967, the forced market integration of the Occupied Territories into the Israeli economy resulted in a further decline of trade relations, due to trade restrictions and exchange rate measures imposed by the Israeli government. For foreign trade purposes the Occupied Territories are treated identically to the rest of Israel and are subject to the same import and export controls.

Currently, Palestinian export predominantly goes to Arab states. A substantial volume of trade passes via Jordan to these markets and the main commodity crossing the Jordan bridges is agricultural. Export earnings amounted to 850 million dollars in 1987 with citrus exports accounting for almost half of the total agricultural export earnings. Nevertheless, since the occupation the proportion of exports has declined steadily from fifty percent of GDP in 1972 to about thirty percent in 1987. The most important extra-regional trading partner is the European Community.

The Occupied Palestinian Territories hardly import goods from outside Israel, due to the depreciating value of the Israeli shekel. In terms of Israeli currency, imported goods cost five times their 1980 values in 1990 because of inflation. Most Palestinians are therefore forced to buy Israeli made import substitutes. If the Territories were not tied to Israel's currency, different trade preferences would likely occur.<sup>37</sup>

It is, of course, difficult to assess the present state of the different sectors of the West Bank and Gaza, as the only official statistics are those produced by the Israeli authorities. Even if these are accepted as unbiased, which they are very often not, the problem of collecting any statistics in

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<sup>37</sup> Yusif A. Sayigh, 'Dispossession and pauperisation: the Palestinian economy under occupation', in: George T. Abed (ed.), *The Palestinian economy*, London, 1988, p. 259-261.

present circumstances remains. Israeli data-collectors are hardly in the best position to obtain accurate information and win the trust of those surveyed.<sup>38</sup>

According to the West Bank Database Project, an important alternative Israeli source, the economic burden of the occupation is tremendous. Sectors affected include agriculture, whose 34 percent share of GDP in 1968 shrank to 20 percent in 1985, while the proportion of the workforce employed shrank from 39 percent in 1970 to 25 percent in 1986. Manufacturing output has stagnated since 1967, its share in GDP hovering around 7 to 9 percent. Unemployment has risen continuously. By 1987 only 65 percent of the Palestinian workforce had a job. Currently, unemployment in the West Bank is estimated at about forty percent and in Gaza at almost sixty percent. Furthermore, the trade and payments balances are in chronic deficit.<sup>39</sup>

From August 1990 onwards, the Palestinian economy was further crippled by the Gulf crisis and war. The many weeks of curfew led to a considerable loss of jobs for Palestinians in Israel and greatly reduced farm output. Furthermore, remittances from Palestinians working in the Gulf dropped, while the Gulf states largely withdrew their financial support for the PLO and the Occupied Territories in response to the pro-Iraqi position adopted by segments of the Palestinian population. The Israeli opposition to the development of a Palestinian economic and social infrastructure hardened: new obstacles were put in the way of trade and industry, while free movement between the two Territories was hampered.

In recent years the Israeli authorities have relaxed their policy somewhat, partly from a fear of pauperizing the Occupied Territories too much. More important was the growing pressure from international public

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<sup>38</sup> Interview with Aown Shawa, director of the Cooperative Development Project, in Gaza, March 1992.

<sup>39</sup> M. Benvenisti, Demographic, economic, legal, social and political developments in the West Bank, Jerusalem, 1987.

opinion and several development organisations working in the region. International aid has become an important factor to the Palestinian economy. Its share in GDP has risen considerably. Moreover, the economic importance of aid from international organizations, donor countries and non-governmental organizations (NGOs) is likely to increase in the next few years.

### **Aid from the European Community**

The development programme of the European Community has been an important impulse for the economy of the Occupied Palestinian Territories. While most individual European countries were hesitant to instigate a bilateral aid programme towards the Territories, the European Community actively promoted political and economic relations with the Palestinian community. This resulted in the adoption of a large development programme for the West Bank and Gaza.

This policy of the European Community is largely based on the 1980 Venice Declaration. This document spells out, first, the support from the European Community for the United Nations Security Councils Resolutions 242 and 338. Second, it acknowledges the right of the Palestinians to self-determination. Third, it stresses the right of all states in the area to live in peace and security. Finally, it gives support for an international peace conference and the association of the PLO to all negotiations.<sup>40</sup> In 1989, the Venice Declaration was restated in Madrid thereby upgrading the role of the PLO.

However, Community aid to the Territories didn't start in 1980, in fact, it had already started in 1971 as an aid programme for Palestinian refugees through UNRWA. This programme was not limited to the Occupied

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<sup>40</sup> Thomas Dupla, 'The role of the European Community', in: Denters and Klijn, Economic aspects of a political settlement in the Middle East, p. 181.

Territories because it was meant to aid all Palestinian refugees in the five UNRWA countries. Between 1971 and 1980 this programme's value was approximately 132 million dollars. About forty percent went to the Occupied Palestinian Territories.

In 1981, following the Venice Declaration, a new aid approach was instigated. It was decided that aid should no longer be limited to refugees. All needy Palestinians should be able to receive assistance from the European Community. This policy had one important loophole. Aid was not given directly to the Palestinians, but through institutions who had some jurisdiction in the two Territories before the war of 1967. As a result, part of the money went to Jordanian institutions, who had their own political objectives in the Territories.

It was 1986 that proved to be a watershed year in the relations between the European Community and the Occupied Palestinian Territories. In this year the Community defied Israel by defining a two-tier approach towards the economic development of the West Bank and Gaza. According to the Europeans, Community action should be focussed on both trade and aid. The European Community stressed the right of Palestinian exporters to export their products directly to the Community without interference from the Israeli authorities. In addition to this, the Community created a single programme under a new budget line to give direct long-term assistance to the Occupied Territories.

In October 1986, the European Council of Ministers adopted preferential tariff agreements applicable to imports from products originating from the West Bank and Gaza.<sup>41</sup> Until this date, all Mediterranean countries had enjoyed preferential access to the European market except for the

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<sup>41</sup> Regulation 3363 of the European Council of Ministers, adopted on October 27, 1986.

Occupied Territories. The major obstacle had always been the absence of an authority recognized by the Community to conclude an agreement with. The European Council, however, followed an exceptional procedure, accepting the Chambers of Commerce in the West Bank and Gaza as authorities qualified for ensuring the necessary administrative cooperation.

The Israeli government fiercely opposed this procedure fearing the political content of the decision because it would imply the recognition of a distinct Palestinian territory separated from other existing states. Therefore, obstacles were put in the way to frustrate the free export of Palestinian products.

Considerable difficulties were experienced when the export programme was supposed to start. Israel has a state monopoly on agricultural products which applies not only to Israel but also, de facto, to the Occupied Territories. Palestinian agricultural products, seeking the cheapest route through Israel, were obliged to pass through the Israeli state monopoly Agrexco.<sup>42</sup>

After several unsuccessful requests to Israel to allow Palestinian agricultural and industrial exports to Europe through Israeli ports and airport, the Israeli government got an official warning. If the Israeli government would not allow direct commercial contacts between Palestinian producers and European buyers, the three new protocols to the existing EEC-Israel Cooperation Agreement of 1975 were in serious danger.

In 1987, the Israeli ambassador to the European Community, Primor, promised to the Commissioners Cheysson and Durieux that a special Israeli inter-ministerial team would be set up to negotiate with the Palestinians. However, this proved to be an empty promise based on delaying tactics. Moreover, the Israeli repression of the Palestinian uprising made the

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<sup>42</sup> David Buchan, 'Brussels set to approve EC-Israel deals', *Financial Times*, July 4, 1988.

Palestinian Territories should be based. First of all, aid had to benefit solely the Palestinian population of the Gaza Strip and the West Bank, including East Jerusalem. Second, the aid programme should be implemented without any attempt to seek the approval of the Israeli authorities. Finally, the European Community would not undertake measures that would relieve the Israeli government of its responsibility to maintain and develop the infrastructure of the Occupied Territories. After all, according to international law, maintaining the infrastructure is, just like housing and health care, an obligation of the occupying power. Only if an infrastructural project were proposed by a Palestinian organisation, exclusively for the benefit of the local Palestinian population, could it be considered.

In the last couple of years, the European involvement in the Palestinian economy has become greater and greater. Relatively, because Arab donors stopped their commitments after the Gulf War, but also in absolute terms. In 1987, the first year of the programme, the amount committed for direct aid was just below three million ECUs (*1 ECU = 2.50 guilders*). In 1989 it was five million ECUs and in 1993 close to fifty million ECUs. In addition, the European Community continues to contribute to the programme of UNRWA.

The Israeli government has accepted the agreements between the European Community and the Palestinians. They have acknowledged the European point of view that there can be no negotiations, not even talks about the Community development programme with the Occupied Territories. Obviously, the Israelis agree that it is convenient that there is a programme of Community aid and they let the Community implement it according to its own ideas.

Nevertheless, the Israeli government clearly makes use of the situation. Public services such as health care, education, housing and infrastructure, which all fall under the responsibility of the Israeli authorities, are neglected. The European Community is therefore forced, against its own principles, to



Europeans even more sensitive to the issue. The European Parliament wanted to send a signal to the Israeli government and decided not to vote over the protocols in the plenary sessions of December 1987, January and February 1988. In a press conference, some members of the Parliament explained that they were in favour of deferring a decision as long as Israel did not adhere to the Primor-Durieux agreement.

In March 1988, the European Parliament finally refused to give its assent to two of the three protocols.<sup>43</sup> A majority across the house set a precedent by rejecting, for the first time in history, an agreement between the European Community and a third country. It was generally understood that the rejection was due to the general considerations of Israeli occupation policy and the principles of the European cooperation policy, rather than the actual content of the protocols.

Confronted with this determination of the European Parliament, the Israeli government concluded an agreement with representatives from agricultural exporters from the West Bank and Gaza. On October 12, 1988, the three protocols to the EEC-Israel Cooperation Agreement were therefore allowed a positive vote. The first direct Palestinian exports, consisting of grapefruits from Gaza, arrived in Rotterdam two months later.

The second leg of the new European approach of 1986 was focussed on the area of development cooperation. The Council of Ministers set up a series of guidelines on which the new aid programme towards the Occupied

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<sup>43</sup> The first protocol on the extension of Israeli agricultural exports to the European Community obtained: 149 votes in favour, 207 against and 20 abstentions.

The second protocol on the inclusion of Spain and Portugal in the EC-Israel free trade agreement obtained: 255 in favour, 112 against and 16 abstentions.

The third protocol, envisaging a soft loan to Israel of 63 million ECUs obtained: 143 in favour, 205 against and 22 abstentions.

The high number of yes voters on the second protocol was due to the socialists who didn't want to damage Spanish and Portuguese economic interests.

step up its aid efforts in these fields. Furthermore, there have long been problems with the implementation of aid. Israel decided not to give a tax-free status to the equipment that is sent by the European Community to the Occupied Territories. Of course, paying taxes on development aid is a waste of money. Moreover, aid equipment is not taxed anywhere else in the world. Finally, there is the problem of the transfer of funds to the Territories which is seriously restricted by a series of military orders. The legality of transferring funds to local institutions and other beneficiaries is unclear and therefore full of difficulties.<sup>44</sup>

### **Dutch Initiatives**

When Hisham Awartani, a Palestinian economist from Anabta near Nablus, visited the Netherlands in 1990 he admitted that there was some resentment among Palestinians about Dutch policies. After all, the Netherlands were a latecomer with development policy towards the Occupied Palestinian Territories. There were, however, also some words of gratitude:

"a latecomer, but an expedient and efficient player in development economy, the field where others have made blunders."<sup>45</sup>

For a long time the Dutch have been considered to be a fervent supporter of Israel. Israel was supported politically, economically and militarily. On the political level, the Netherlands lobbied for the creation of the state of Israel in 1948 and constantly supported it in political debates in the United Nations, for example. Economically, Israel received favourable trade agreements and is funded through a special programme of the Department of Development Cooperation, valued at eight million guilders per year.

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<sup>44</sup> Thomas Dupla, 'The role of the European Community', in: Denters and Klijn, Economic aspects of a political settlement in the Middle East, p. 184.

<sup>45</sup> Lecture by Hisham Awartani at the seminar 'Dynamics of self-determination', Nijmegen, April 1990.

Militarily, the Dutch government sent sophisticated weaponry to Israel during the October War of 1973 and the recent Gulf War.

The PLO was, for many, a terrorist organisation and development assistance for the Palestinians was hazardous from a political point of view. Furthermore, economic development of the Territories was not considered to be a priority. According to one NGO:

"The Palestinian people were considered not to be part of 'the poorest of the poor' and, therefore, we did not, or only very incidentally, support economic development on a small scale."<sup>46</sup>

The Palestinian uprising at the end of 1987, opened the eyes of Dutch policy makers. Two Dutch reconnaissance missions were sent to the Occupied Territories to investigate the political and economic situation in the area. The Netherlands also actively started to support the efforts of the European Community to grant preferential treatment to direct agricultural exports from the Territories. Dutch criticism of the Israeli attempts to suppress the intifada was unexpectedly harsh. The Dutch policy plan on the Occupied Palestinian Territories deserves quotation:

"The Israeli authorities systematically violate the provisions of the Geneva Convention on the Protection of Civilians in Wartime. The violations involve among other things altering the Territories' demographic structure through the establishment of Jewish settlements, collective punishments such as the demolition of homes and the closure of educational institutions, deportations, the regular imposition of curfews and the detention without (published) charge of Palestinians suspected of prohibited political activity ('administrative detention'). The Israeli government denies that the Fourth Geneva Convention is *de jure* applicable to the Occupied Territories, a view

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<sup>46</sup> Piet van Ommeren, 'Aspects of a possible role of NGOs in the development of a national political economy', in: Denters and Klijn, Economic aspects of a political settlement in the Middle East, p. 166.

available to support the 'Refugee Affairs Officers' programme, which should enable UNRWA to operate more effectively under intifada conditions.

Secondly, the Dutch government financed a large number of activities which are carried out by Dutch NGOs. In the first three years of the programme, more than four million dollars were spent through the channels of three NGOs, Novib, Icco and Cebemo.

The main development activities of these organisations, funded by the Dutch government, are in the field of education, human rights, medical care, agriculture and industrial production. For example, in the field of agriculture, Novib is supporting the Palestinian Agricultural Relief Committee (PARC), an organisation of Palestinian agriculturalists who assist small farmers with production techniques. In the field of human rights protection, Icco supports al-Haq and Novib assists the Palestinian Human Rights Information Centre (PHRIC). Medical activities are supported via the Union of Palestinian Medical Relief Committees. The support of education is done by assisting the universities of Hebron and Bethlehem (through Cebemo). Special support by the Dutch government is given to the Khalidi Library in Jerusalem.

Another important aspect of the Dutch aid programme is the promotion of Palestinian trade activities. The Netherlands fully supported the European initiative which resulted in the first shipment of Palestinian citrus to Europe in December 1988. Although later exports were more diversified, including tomatoes and strawberries, the shipments proved not to be a commercial success but their prime result was in the creation of a political precedent.

In order to help Palestinian exports to obtain a share in the European market of vegetables and fruits, the Dutch financed the installation of a Palestinian Trade Promotion Centre (PTPC) at Rotterdam. The Dutch centre for the promotion of imports from developing countries (CBI) worked on this project and the PTPC opened its doors in July 1992.

which the country is virtually alone in holding; Israel also takes the view that *de facto* it does observe the Convention's provisions.

Since the start of the intifada the number of violations of human rights has increased considerably to which reports by Amnesty International, the Palestinian human-rights organization al-Haq, the Palestinian Human Rights Information Centre as well as the Israeli organization B'tselem, bear witness. Tens of thousands of mainly young Palestinians have been arrested and held in primitive conditions in detention camps (Ansar II in Gaza, Ketzi'ot in the Negev desert).

At the beginning of the intifada in particular the Israeli army used excessive force, while in the camps many detainees fell victim to the security services' harsh interrogation techniques; overall almost a thousand Palestinians were killed by Israeli soldiers and settlers in the first three years of the intifada. Few of those responsible for such fatal incidents have been convicted of any offence."<sup>47</sup>

The Dutch Department of Development Cooperation decided that it could no longer stay on the sidelines and started to support the Palestinian economy:

"not only for humanitarian reasons, in view of depressing living conditions, but also because we feel that a political settlement will have to be economically underpinned and would be very much enhanced by a more viable Palestinian economy."<sup>48</sup>

In 1989, the Netherlands started its programme towards the Occupied Palestinian Territories, mainly in project form. In the first place, the Netherlands raised its contribution to UNRWA. The Netherlands had already contributed regularly to UNRWA, but now additional funds were made

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<sup>47</sup> Directorate-General for International Cooperation of the Netherlands Ministry of Foreign Affairs, Policy plan for 1992-1995 for the Nile and Red Sea region, The Hague, 1992, p. 17.

<sup>48</sup> Nico Biegan (Director General for International Cooperation) in his opening speech of the seminar 'Dynamics of self-determination', Nijmegen, april 1990.

Some criticism on the content of the Dutch development projects should be voiced. Given the fact that the total amount of aid is rather small, it is both remarkable and regrettable that part of the allocated funds are actually spent in the Netherlands on seminars like 'Dynamics of self-determination' and 'Discourse and Palestine'. Although these seminars can be very fruitful, financial assistance to the Palestinian economy should have priority. A second point is the ad-hoc character of the assistance. The policy plan argues that Dutch aid will be targeted on rural development, water management, education and health care. In practice, most aid, especially in 1990 and 1991 (the period of the Gulf war), consisted of emergency assistance, not based on any project at all. There seems to be a lot of talk about 'development', but in reality 'relief' or mere 'survival' seem to prevail.

Another point is the Dutch claim that the main bulk of the aid is going to Gaza. GDP in Gaza is currently among the lowest in the region and definitely below that of the West Bank, which receives more international assistance. The figures of the Department of Development Cooperation clearly show that only a small part of the aid ends up in the Gaza Strip. Finally, it is very dubious that the development funds of the Netherlands are almost exclusively channelled through multilateral organisations and Dutch NGOs. It seems that the Dutch are very hesitant in establishing direct contacts with their receiving partners. This argument is further strengthened by the fact that the Dutch government coordinates its development policy towards the Occupied Palestinian Territories from a small office in the garden of the Dutch embassy in Cairo. No Dutch civil servant is based in either the West Bank or Gaza. Therefore, the Dutch politicians certainly have no reason to be too proud of themselves. Their cautiousness and reservation towards the Palestinians still seems to prevail.

Although a lot of good development projects are funded by the Dutch government, the total amount of aid is still rather minimal. An average of only five million guilders per year is definitely not enough. Especially not when it is compared with the eight million guilders Israel receives for its education programme from the Dutch government. The need for development assistance is clearly much larger in the Occupied Palestinian Territories than in Israel. Despite promises to increase the amount of aid to the Territories, it still remains at approximately the same level. Only the Dutch NGOs have increased their contributions to the West Bank and Gaza, but the government has refrained from increasing its commitments so far.

**Dutch Development Aid toward the Occupied Palestinian Territories  
(in thousands of guilders)**

	1989	1990	1991	1992
Total Commitment of Bilateral Aid	5,000	5,000	5,400	4,800
<b>Most important aid activities</b>	*	*	*	
Aid through UNRWA	2,700	2,700	3,000	3,500
Emergency Assistance	781	3,164	3,167	--
Human Rights Projects	108	157	134	662
Seminars/Studies	100	55	-	78
PTPC	--	--	204	1,137

*Sources: Voorlichtingsdienst Ontwikkelingssamenwerking, Jaarverslagen Ontwikkelingssamenwerking (Annual Reports on Development Cooperation), The Hague, 1990, 1991 and 1992; Internal Document: Bezette gebieden: overzicht nederlandse projecten vanaf 1989 (Dutch Projects in the Occupied Territories), 1991<sup>49</sup>*

<sup>49</sup> The Dutch government considers some projects to fall under the criteria of the bilateral programme while others are financed from other sources. So, when the Department declares that in 1992 4,8 million guilders were spent on the regional programme, the total amount of development assistance for that year can be higher. For a complete survey on 1992 commitments: see appendix IV.

## **Conclusion**

It is beyond any doubt that the economy of a future Palestinian entity will continue to have many dependency relationships. First of all, the dependency on international economic assistance will most probably deepen. International financial institutions will be expected to provide the money to pay for attempts to repair the bad state of houses, schools, roads, sewage and electricity.

Second, there will be a growing dependence on the market forces of the world economy. The major area of the Palestinian economy to provide badly needed foreign currency will definitely be trade. The development of the agricultural and industrial sectors will have to be targeted to produce export products. The Europeans have recognized the need for such a strategy and actively promoted export programmes for the Palestinians. The Netherlands did likewise and helped by funding the Palestinian Trade Promotion Centre. Another important dependency relationship will be the one with the neighbouring states, among which Israel will figure prominently. The Palestinian economy cannot function properly without the Israeli economy. Palestinians will need it as a market for exports and imports and as an important source of employment. Furthermore, the Israelis can provide the necessary know-how for the development of the Territories.

It is however clear that everything depends on a viable political agreement. Without real peace there is no future for the Palestinian economy. History provides the evidence that economic development under prolonged occupation is impossible, despite assistance from the international donor community.



# Epilogue

The handshake of Yasser Arafat and Yitzhak Rabin on the lawn of the White House on September 13th 1993, gave a new direction to the issue of development assistance towards the Occupied Palestinian Territories. The euphoria over the historic Israeli-Palestinian agreement quickly gave way to new pledges of aid to the West Bank and Gaza. Even before the donors' conference of the world's richest nations was convened in Washington promises of aid reached the two billion dollar mark.

The pledges of aid came from 43 nations from around the globe. What was most significant was the fact that it occurred within three weeks after the signing of the PLO-Israeli peace agenda, indicating how precarious the international community recognises the peace process still to be and how desperately the world wants to aid the Palestinians.

The major donors were the European Community with 600 million dollars, and the United States with 500 million dollars, both for five years. Japan offered 200 million dollars over two years, the Scandinavian countries granted 150 million dollars over an unspecified period, Saudi Arabia donated 100 million dollars for the first year and Israel pledged 25 million dollars in grants and 50 million dollars in loans over five years.

The European Community was keen on keeping its leading role in the process of developing the Palestinian economy. Officials of the Community admitted that they were initially frustrated and irritated at the way the United States more or less hijacked the leadership of the international aid effort by organising the donors' meeting in Washington. Brussels therefore insisted that each donor will be responsible for channelling and distributing its funds in the Territories itself, and not, as the Americans would have liked, the steering committee of the Middle East peace talks. The only commitment the European

"A problem is the competition between fund-raising agencies, each sending its Middle East Secretary to find 'good' projects, according to its own criteria. This competition in turn creates a competition between receivers...presenting projects according to the criteria and the interests of each donor. The project does not correspond to the real needs, or there is duplication and loss of funds and energy."<sup>50</sup>

The European Community acknowledged this problem and drew up a development plan, in close consultation with senior PLO officials and Palestinian economists. With the presentation of this plan the Community tries to minimize the chances of overlap because it gives other donors the possibility to opt for other targets of development.

The development plan of the European Community gives priority to improving social and living conditions in the Gaza Strip. Most of the money will go to housing, schools and health projects. In the next year 17,000 low-cost homes will be built. Furthermore, improving sewage facilities and setting up a water purification plant in Gaza city gets top priority. Industrial development does not get much attention. The European Community will only provide some technical assistance for the newly established Palestinian Economic Council for Development and Reconstruction which will manage the future development of the Territories.

Despite the goodwill of the international community, the economic future of the Territories will be uncertain. The focus on improving living conditions and creating a solid infrastructure will definitely mean the neglect of true economic development. The Western insistence on creating highly visible turn-key projects is shortsighted because it is primarily agriculture and industry that can really give an impulse to the economic development of the Territories.

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<sup>50</sup> Jean-Marie Lambert, 'The economy of Palestine: the role of NGOs', in Denters and Klijn, Economic aspects of a political settlement in the Middle East, p. 158.

Community agreed upon, was that donors would meet and consult through a liaison committee to be set up at the World Bank secretariat in Paris.

The United States decision to aid the Palestinians came as a surprise to many. Perhaps it was a sign of guilt over the way the Palestinians have been treated under Israeli occupation with United States connivance, but under the circumstances the 500 million dollar promise was unexpected. Especially, while explicit reference was made to the Occupied Territories and to the West Bank rather than just Jericho as recipients of the proffered aid. In previous months the United States Secretary of State, Warren Christopher, had leaned towards the Israeli position of calling the Territories disputed and had refrained from mentioning that they were occupied. Similarly, while Israelis have talked of aid to Jericho, Christopher made it clear the aid was for all the West Bank, although not for Arab East Jerusalem.

The World Bank estimates that 2.4 billion dollars in five years time will cover the expenditures most needed to get the Palestinian economy back on track. The PLO has maintained that the Palestinians need well over twice that amount to repair the ruined infrastructure of the Territories and offer relief and rehabilitation. That claim has some validity since the World Bank had originally projected that 3 billion dollars over ten years was needed but quickly raised that figure to between 4 and 5 billion dollars because the study did not include the costs of financing a civil government and the possible return of tens of thousands of Palestinian refugees.

Still, this Western generosity also leaves room for fear. There is a real danger that a lot of the pledged funds will be wasted because aid is flooding the area. Western countries are making rash promises of huge aid donations without proper assessment of the Occupied Territories' capacity to absorb aid. Already in 1990, Jean-Marie Lambert of the International Coordinating Committee for NGOs, voiced his fear for a competition of donors when too much aid is given.

## APPENDIX I

### **Development Assistance of DAC-countries, 1992**

	% of GNP	billions of US\$
Norway	1.16	1.27
Denmark	1.03	1.41
Sweden	1.03	2.46
Netherlands	0.86	2.75
France	0.63	8.29
Finland	0.62	0.64
Canada	0.46	2.52
Switzerland	0.46	1.14
Belgium	0.38	0.84
Australia	0.37	1.02
Germany	0.36	6.95
Portugal	0.31	0.27
Italy	0.31	3.78
United Kingdom	0.31	3.20
Japan	0.30	11.12
Austria	0.29	0.52
Luxembourg	0.29	0.04
Spain	0.28	1.62
New Zealand	0.26	0.10
United States	0.18	10.78
Ireland	0.16	0.07

Source: *Internationale Samenwerking* (International Cooperation, a publication of the Department of Development Cooperation), September 1993, p. 7.

It is very nice that France and the Netherlands have offered to build a harbour in the Gaza Strip but it will only become useful if there is something to export. It is therefore an absolute necessity to stimulate the sectors of agriculture and industry in order to create a brighter economic future for a Palestinian entity. Without stimulation of these sectors international aid will only mean the provision of short-term humanitarian relief. Long-term economic assistance, focussed on providing stimuli to farmers and to small and medium-sized businesses, together with patience and a strong donor coordination policy, will be the best option to create true economic development.

### APPENDIX III

#### Gross National Product (in millions of dollars)

Country	Total GNP			Per Capita		
	1981	1985	1989	1981	1985	1989
Algeria	43070	55810	39780	2237	2554	2230
Bahrain	3124	3413	--	8606	8532	--
Egypt	26374	51274	31580	563	1057	640
Iran	106677	181459	150250	2611	3795	3200
Israel	22018	23000	46030	5574	5437	9790
Jordan	4556	4759	3910	1509	1356	1640
Kuwait	32731	26067	23530	22889	15244	16150
Libya	25552	20623	22990	7985	5288	5310
Mauritania	678	642	910	426	363	500
Morocco	15069	13126	23390	730	593	880
Oman	6666	8844	7700	6410	7132	5220
PDR Yemen	940	1113	--	470	530	--
Qatar	8736	4950	6200	26402	16500	15500
Saudi Arabia	167938	85917	80890	17119	7413	6020
Sudan	10041	6470	6390	521	297	300
Syria	14175	16681	11460	1523	1624	980
Tunisia	8364	8199	8920	1273	1129	1260
Turkey	58927	53283	71600	1299	1081	1370
United Arab Emirates	32988	21602	28270	21992	15430	18430
Yemen AR	4743	5057	5015	772	734	590

Source: World Bank, *World Development Report*, New York (selected years). Note: Accurate statistical information on Lebanon and Iraq was not available to the World Bank. In the case of Lebanon the civil war was to blame. Iraq has kept its information secret because of the war with Iran.

## APPENDIX II

### Dutch NGOs.

#### NOVIB.

Amaliastraat 1-7,  
2514 Jc Den Haag.  
The Netherlands.  
Tel: 0031 70 3421621.  
Fax: 0031 70 3614461.

#### ICCO.

P.O. Box 151,  
3700 Ad Zeist,  
The Netherlands.  
Tel: 0031 3404 27811  
Fax: 0031 3404 25614

#### CEBEMO.

P.O.Box 77,  
2340 Ab Oegstgeest.  
The Netherlands.  
Tel: 0031 71 159159  
Fax: 0031 71 175391

#### HIVOS.

Raamweg 16,  
2596 Hl Den Haag.  
The Netherlands.  
Tel: 0031 70 3636907  
Fax: 0031 70 3617447

## APPENDIX IV

### **Levels of Development of Middle East Countries (world ranking)**

<b><u>The Comfortable</u></b>	<b>HDI Ranking</b>	<b>GNP p/c Ranking</b>
Israel	108	114
Kuwait	88	122
Turkey	80	83
United Arab Emirates	77	127
Iraq	76	96
Iran	75	93

<b><u>The Tolerable</u></b>	<b>HDI Ranking</b>	<b>GNP p/c Ranking</b>
Jordan	73	76
Libya	67	103
Saudi Arabia	64	107
Syria	62	79
Tunisia	60	70
Algeria	57	91



<u>The Miserable</u>	HDI Ranking	GNP p/c Ranking
Oman	48	104
Egypt	45	49
Morocco	44	48
PDR Yemen	31	39
Yemen AR	25	47
Sudan	15	32
Mauritania	8	40

*Source: World Bank, World Development Report, New York, 1990, United Nations Development Programme, Human Development Report, 1990, Sadowski, Y., 'Power, poverty and petrodollars: Arab economies after the Gulf war', in: Middle East Report, May-June 1991, p.8*

Note: The traditional yardstick for comparing levels of development among countries is Gross National Product (GNP) per capita, but it reveals little about the way money is being spent. The United Nations Human Development Index (HDI), by contrast, includes factors such as literacy, longevity and health care standards.

In GNP per capita terms, some Arab states appear to be 'rich'. Measured in terms of HDI, the situation is different. The great majority of Arabs live in countries where the HDI is lower than in Indonesia, and on a par with sub-Saharan African states. Egypt, the largest Arab state, has a lower literacy rate than Cambodia, Zambia or Bolivia.

The figures in this chart show conditions in the period 1985-1990. The economic aftermath of the Gulf war has surely worsened the situation.

## APPENDIX V

### **Total Dutch Commitments to the Occupied Palestinian Territories in 1992 (in guilders)**

I. a. Legal Assistance	
- Support for the Programme of the Society of St. Ives	f 252,200
- Support for Human Rights Organisation B'tselem	f 271,500
- Support for Human Rights Organisation ACRI	f 138,500
b. Small Embassy Projects	
- 6 projects in the Gaza Strip	f 99,700
- 9 projects on the West Bank	f 93,000
c. Specially Targeted Activities	
- Conference 'Discourse and Palestine'	f 33,800
- Training Courses on Human Rights	
- Information Handling	f 26,500
- Palestinian movie 'Curfew'	f 100,000
- Seminar 'Dynamics of Self-Determination'	f 43,700
II. Country and Regional Programme	
- Training for Agriculturalists at PARC	f 406,000
- Education of Palestinian students in Egypt	f 737,000
- Agricultural support to small-scale farmers	f 208,000
- Palestinian Trade Promotion Centre	f 1,137,000
- Gaza Community Mental Health Programme	f 459,000
- Education and Sanitation projects of UNRWA	f 3,520,000

*Source: Voorlichtingsdienst Ontwikkelingssamenwerking, Jaarverslag Ontwikkelingssamenwerking 1992 (Annual report on Dutch development cooperation, 1992), The Hague, 1993, p. 73-75*

## **Middle East Research Associates**

Tom de Quaasteniet is a political scientist and affiliated with the Middle East Research Associates (MERA).

MERA is an independent information and research center, based in Amsterdam, which covers the Middle East, North Africa and Central Asia.

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Economisch Statistische Berichten.	Middle East Report.
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