



War in Ukraine, Rising Prices and the Effects on the Socioeconomic Conditions in Palestine

March 22, 2022

On Tuesday, March 22, 2022, PASSIA held a roundtable discussion on the implications of the Ukraine-Russia conflict on Palestine. The main speakers were Mazen Sinokrot, Regional Director of the Arab Food Industries Federation and Former Minister of Economy, as well as Rabeah Morrar, Director of Research for the Palestine Economic Policy Research Institute (MAS). General opening remarks regarding the importance of considering the effects of the conflict on Palestine were given by Dr. Mahdi Abdul Hadi, the Founder and Head of PASSIA.

Remarks by Rabeah Morrar, Director of Research for the Palestine Economic Policy Research Institute

The round table began with a detailed presentation by MAS Director of Research, Rabeah Morrar. He highlighted that although the war has only just begun, it is occurring at an already challenging time for the Palestinian economy. The general economic situation across Jerusalem, the West Bank, and Gaza is already characterized by increased poverty due to the COVID-19 crisis, a budget deficit, rising prices of basic commodities and food goods, as well as general inflation. Given that Palestine relies on the import of food and raw materials and Russia and Ukraine were both large producers of natural gas, wheat, and goods used in industrial production, Palestine will likely see continued price increases as supply chain disruptions continue during the war. Thousands of Palestinians already suffer from food insecurity, and it is predicted that this conflict will increase that number. Morrar recommended a few potential strategies that the government could follow to mitigate the problems caused by the current crisis. For example, they can exempt bakers from the VATT to combat rising wheat prices, then monitor the market to ensure sellers are not passing prices onto consumers. They can also seek alternative supply chains for wheat and other goods as well as encourage local food production.

Remarks by Mazen Sinokrot, Regional Director of the Arab Food Industries Federation

Further challenges facing Palestine's ability to seek out alternative trade partners were highlighted by Director Mazen Sinokrot. The geographic proximity of Russia and Ukraine would be difficult to match, thus making any alternatives, such as the US, Canada, or France, logistically challenging. His suggested solutions included managing Palestine's austerity budget in such a way that administrative, governmental bloat is cut in favor of providing funds for food security. He further recommended public-private cooperation in the form of the government lowering the interest rate, providing subsidies to basic products, and providing other tax incentives for the production or purchase of goods such as wheat, corn, aluminum, wood, and plastic. A list of price-controlled goods or ones with special tax status could be created. Sinokrot further recommended that the private sector be given freedom and incentives to find creative alternatives to foreign reliance on raw materials. At the individual level and for the short term, he suggested that perhaps individuals should look to decreasing fuel consumption and general power consumption as the price of fuel rises.

For the long term, Sinokrot raised the often overlooked issue of food reserves, a unique problem facing Palestine. On most basic goods, Palestine does not have food reserves beyond 2-3 weeks while the international standard should be 3-6 months. Palestine cannot expect to rely on the Israeli food reserves in times of crises. To address this problem, Palestine could attempt to strategically bring to the forefront the political issue of Area C once more to the international arena so that Palestinians may use their land for planting wheat and building self-sufficiency.

Questions and Comments from the Audience

The audience raised concerns regarding the hypocrisy of the global rush to sanction Russia in contrast with the 74-year unwillingness to sanction Israel for its occupation of Palestine. This double standard brought with it a prevailing belief that any external help for the upcoming economic crises caused by this European war may not be dependable, as a double standard for Palestine exists. Further concerns were raised regarding the Palestinian Authority's ability to act quickly enough to address the many economic problems facing the people given their perceived failures during the ongoing COVID-19 crisis, the rampant corruption, the obstacle of the Israeli occupation, and the lack of mechanisms of dialogue which would give Palestinians a democratic voice in government solutions. In response, some audience members instead stressed the need for self-reliance and taking community measures to address the upcoming crisis. One suggestion was to address the issue of food waste which will increase during the upcoming month of Ramadan and thus may further harm the food situation. Director Morrar furthered this general discussion by recommending cooperation between the government, civil society, and the private sector to find solutions as Palestine heads "toward catastrophe" due to the economic impact of the current war.

In terms of the role of the international community, following through on monetary promises and providing funds that help with food insecurity were clear immediate steps that could be taken to potentially alleviate some ramifications of this new European war.