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IV. ECONOMICS AND DEMOGRAPHY

Demography, Economic Growth and Job Creation in the West Bank and Gaza Strip

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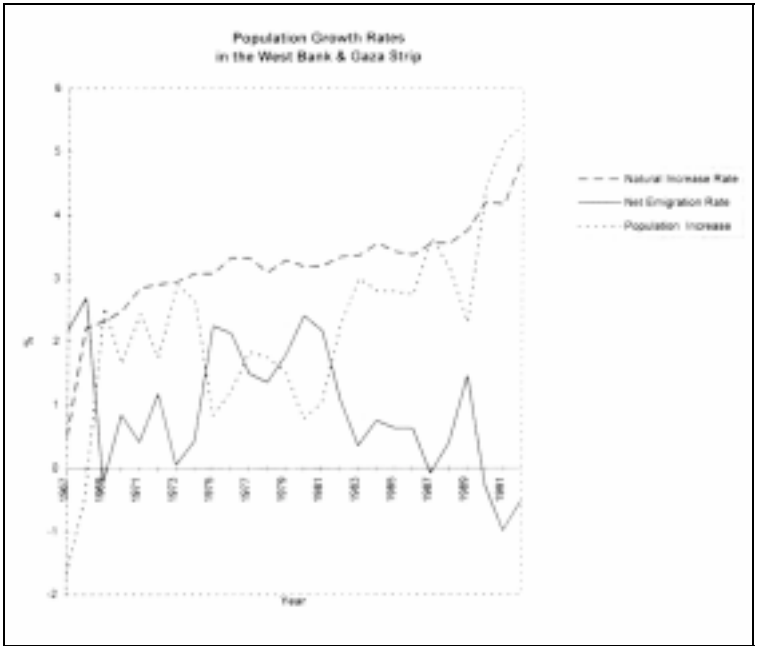
I. Demographic Trends

When I was first approached about giving this presentation, I was a little hesitant about accepting; I am not a demographer, nor even a labor economist. When I finally agreed to do it, I offered to speak on the capacity of the Palestinian economy to create jobs for a rapidly growing labor force. In doing so, I stayed within the range covered by the workshop without straying too far from my own area of expertise.

The natural rate of increase of the Palestinian population is very high [see figure below]. For most of the 1970's and 1980's, however, the Palestinian economy did not have to absorb much of this increase into the labor force due to emigration and job opportunities in Israel¹. For the period 1972-81, the rate of natural increase in the West Bank and Gaza Strip averaged 3.2%. In the same period the average rate of net emigration was .8% , resulting in an average rate of population growth of 2.4%. Net emigration slowed down in the second half of the 1980s as a result of lower oil prices that significantly decreased job opportunities for Palestinians in the Gulf, with the average for the period 1981-90 decreasing to .6%. The average rate of natural increase in the same period rose to 3.6%, putting the average rate of population increase at 3%. During this period, the Palestinians were still able to rely on the Israeli market as a source of jobs. For the period 1972-90, the Palestinian labor force increased by 64%. In the same period,

¹ Israeli demand for Palestinian labor was limited almost exclusively to unskilled labor. The more educated Palestinians found jobs mostly in the Gulf.

domestic employment rose by only 28%. The difference was absorbed mostly by the Israeli labor market².



With the 1991 Gulf War, which displaced most of the Palestinians in Kuwait and made it extremely difficult for Palestinians to find jobs in other Gulf countries, the outflow of people from the West Bank and Gaza Strip has been more than offset by reverse migration, resulting in net negative migration³. This trend has accelerated in the last two years because of the return of PNA officials and their dependents. As for Palestinian workers in Israel, their numbers declined sharply in the last two years. Presently, only a few thousand Palestinians work in Israel, due to the closure imposed in March 1996 following a series of suicide bomb attacks in a number of Israeli cities. Even before the present closure, the

² The employment figures are taken from Naqib [4]

³ In 1991 and 1992 the rates of net emigration were .98 and .51, respectively.

number of workers was only around 50,000, compared with 109,000 in 1987. The number of Palestinian workers in Israel is expected to stay relatively low for the foreseeable future because of strong political sentiment in Israel against employing Palestinian workers and their steady replacement by workers from Southeast Asia and Eastern Europe.

II. Long Term Economic Growth

In the 1970s and 1980s, the export of labor services to the Gulf and Israel provided the Palestinian economy with its main source of growth. With the sharp decline in the export of labor services to both markets, the Palestinian economy must now find an alternative engine of growth. Palestinian agriculture can no doubt expand a little, especially if restrictions on exports to Israel and the rest of the world are relaxed. The long-term growth potential of Palestinian agriculture and its ability to create jobs, however, is limited because of water scarcity and the need to use labor saving techniques to stay competitive in regional markets. The tourism sector has some long-term potential to create jobs, especially if a comprehensive regional peace settlement is reached, thus expanding regional tourism. But the job creation potential of tourism is hardly enough to absorb the rapidly expanding Palestinian labor force. The only sector with the potential to absorb the labor force is the industrial sector.

The Palestinian industrial sector stagnated during the occupation years due to political uncertainty and Israeli restrictions on industrial investment. So, by 1990, the share of the industrial sector in the West Bank and Gaza Strip was only 7.4%, compared to 6.7% in 1967. Hence, this sector has to expand very rapidly if it is to act as an engine of growth. Some of the expansion can no doubt take place in industries that cater to domestic consumption, like food processing, which were negatively affected for years by Israeli restrictions. The focus, however, should be on export-oriented industries. If export-oriented industries are to provide the new engine of growth, the type of industries in which they can successfully compete need to be identified.

If the West Bank and Gaza Strip were to focus on low-tech commodities, would it be able to compete with the low-wage

countries of Southeast Asia in the international markets? The answer is probably not, taking into account the present wage structure, which is still strongly influenced by the Israeli labor market⁴. The situation may change, however, if present restrictions on labor mobility between Israel and the West Bank and Gaza Strip become permanent.

If the West Bank and Gaza Strip were to concentrate instead on high-tech industries, does it have the necessary skilled labor? Although the Palestinians invested enormously in education over the last four decades, the stagnation of the Palestinian economy during the occupation years forced most college educated Palestinians to work outside the West Bank and Gaza Strip. In addition, the educational system has deteriorated significantly since the *Intifada*. Hence, if the West Bank and Gaza Strip are to count on high-tech industries to act as an engine of growth, Palestinian policy makers need to make serious efforts to attract skilled Palestinians back to the region. They also need to invest heavily in the local educational system to repair some of the damage incurred during the *Intifada*.

III. Economic Growth in the Transition Period

A. Introduction

Prospects for private investment in the transition period are not very encouraging. This is particularly the case for investment in industrial projects, which tend to have relatively long gestation periods. The main factors inhibiting industrial investment in the transition period are economic and political uncertainties, the lack of direct access to international markets, and the unbalanced economic relationship with Israel. In the absence of significant industrial investment, a potential source of growth in the transition period is investment in infrastructure. Other potential sources of growth are tourism and agriculture.

B. Economic Uncertainties

⁴ At present wage structure, Palestinian manufacturers can't compete with other countries either. See Makhoul, [3].

Prevailing political and economic arrangements in the West Bank and Gaza Strip are supposed to be temporary. Based on Israeli-Palestinian agreements, permanent arrangements should be instituted by 1999. The temporary nature of present arrangements creates uncertainty for investors, especially with regard to projects with long gestation periods. For a business to make long-term investment, it needs to have a clear idea about its costs and the size of potential markets so as to determine the comparative advantages of the economy. The sources of uncertainty about potential markets of Palestinian products include fluctuations in the Palestinian national income⁵, frequent closures that affect the movement of Palestinian labor and goods to Israel, and future trade arrangements between the West Bank and Gaza Strip on the one hand and Israel and the rest of the world on the other. The main sources of cost uncertainty can be summarized as follows.

First, the wage structure in the West Bank and Gaza Strip over the occupation years was influenced heavily by the Israeli labor market. While the number of Palestinian workers in Israel was reduced substantially in the last few years, wage expectations in the West Bank and Gaza Strip are yet to adjust completely to the new situation and the degree of labor mobility between Israel and the West Bank and Gaza Strip in the post transition period is far from certain⁶. This makes it difficult to know the relative cost of Palestinian labor, which determines the labor intensity of investment in the region and the competitiveness of the Palestinian economy in attracting foreign investment.

Second, the West Bank and Gaza Strip are not resource rich. Most of the raw materials currently used are imported. Sources and the prices of raw materials are therefore greatly influenced by the prevailing tariff structure and trade agreements. Currently, the Palestinians effectively fall under the Israeli trade regime and the

⁵ In a study by Hamed and Shaban [1] it was shown that the Palestinian economy in the WBGS is much less stable than the Israeli economy despite close links between them. This was explained by the one-sided economic integration of the WBGS with the Israeli economy.

⁶ The adjustment in wage expectations tends to be slow. Before accepting a lower paying job, the unemployed worker wants to make sure that the probability of finding a job at his old wage is very low. Otherwise, he may opt to stay unemployed. Hence, former Palestinian workers in Israel are not expected to lower their expectations until they give up on reclaiming their jobs in Israel.

sources of Palestinian imports as well as their prices reflect prevailing Israeli tariff structures and trade agreements with the rest of the world. This situation may change once final status negotiations are concluded.

Third, the PNA has so far maintained the tax system that was in effect under Israeli occupation. Except for tariff rates and the value added tax, changing the Palestinian tax structure is within the powers presently exercised by the PNA. Significant changes in the tax structures cannot therefore be ruled out, but these can only take place at the end of the transitional period, once the PNA has the opportunity to make a thorough assessment of the present structure. This complicates cost calculation for potential investments and will most likely result in a delay in investment.

C. Unbalanced Palestinian-Israeli Economic Relations

Since 1967, Israeli products have had free access to West Bank and Gaza Strip markets. In comparison, West Bank and Gaza Strip exports to Israel have been severely restricted to prevent direct competition with Israeli producers. Over the same period, Palestinian foreign trade has been subject to the Israeli trade regime. This regime may have been suitable to the economic development needs of Israel but not necessarily to that of the West Bank and Gaza Strip. This was apparent in a recent study done by Makhoul [3] on the competitiveness of three Palestinian industries. In this study, it was found that constraints imposed by Israeli trade agreements impose substantial costs on Palestinian manufacturers, thus reducing their competitiveness⁷.

Palestinian-Israeli economic relations in the transition period are governed by the economic protocol the two sides agreed to in 1994. While many imbalances in the economic relations between the two sides were not touched by the protocol⁸, its full implementation would no doubt be of great benefit to the Palestinians. Many aspects of the protocol, however, were never implemented. A case in point is the mobility of goods. The pro-

⁷ As a result of these agreements, Palestinian manufacturers are forced often to import their raw materials from more expensive countries.

⁸ The WBGS still follows the Israeli tariff structure. The only exception to this is a limited list of commodities the Palestinians can import directly from other countries.

protocol called for removing all trade barriers between the two sides. The removal was supposed to take place immediately, except for agricultural products where the removal was supposed to be phased out over several years. Two years after signing the protocol, the movement of Palestinian exports into Israel is far from being free while Israel still enjoys unrestricted access to West Bank and Gaza Strip markets. In the meantime, the movement of Palestinian workers to Israel is severely restricted, despite a clear stipulation in the agreement that there should be free mobility of labor between the two sides⁹.

D. Access to International Markets

Presently, all Palestinian foreign exports have to go through Israel. The flow of goods and services between Israel and the West Bank and Gaza Strip, however, is constantly interrupted by Israeli closures¹⁰. This makes it extremely difficult for Palestinians to establish and maintain markets abroad and highlights the importance of direct access to international markets. Moreover, Palestinian exports cannot be transported directly to Israeli ports. They must instead be transferred into Israeli trucks before being allowed into Israel. This delays shipping and increases costs, thus reducing Palestinian competitiveness on international markets.

The West Bank is landlocked, and its goods will continue to go through other countries, though not necessarily Israel, even after the Palestinians gain control over the West Bank and Gaza Strip borders. The Gaza Strip, on the other hand, can have direct access to international markets, even before the end of the transition period, assuming a port is built there. Apart from giving Palestinian exporters direct access to international markets, the port could act as a major source of economic growth for the Gaza Strip¹¹. First,

⁹ Discussion with some members of the Palestinian delegation to the economic talks with Israel indicates that labor mobility was one of the most essential elements of the agreement. The Palestinian delegation had to forego other demands in return for labor mobility.

¹⁰ Palestinians who want to enter Israel need special permits. These permits, however, are invalidated by closures. A closure could be for one day, as is the case on some Israeli national and religious holidays, or it could last for weeks, as was the case following the March 1996 suicide bombings.

¹¹ The economic arguments for building a port in Gaza Strip benefited from discussions I had with Radwan Shaban while we worked together at the Palestine Economic Policy Research Institute.

the construction of the port will involve a large number of workers. So, if it begins in the transition period, it will compensate for the lack of investment in the productive sectors of the economy during this period. Second, the opening of the port will create an opportunity for setting up a free trade zone around it, thus encouraging the development of export-oriented industries in the Gaza Strip. Third, the port eliminates the need for trucking Gaza exports through Israeli territory, which reduces transportation costs and makes these exports less vulnerable to Israeli closure. This will go a long way towards facilitating Gaza Strip exports, even to Israel¹².

Israel strongly resisted the building of a port in the Gaza Strip and tried to convince the donors that it was an unnecessary venture. The excuse used by Israel was the presence of the port at Ashdod, which Palestinians, they claimed, could use for their import and export purposes. Since then, it has been discovered that Israel has ambitious plans to expand Ashdod port. So, if capacity is to be increased, then why not build a port in Gaza? The argument of the Israeli Government was further weakened by constant Israeli closures. Hence, the donors agreed recently to finance a small port in Gaza. This port, however, is too small to act as an engine of growth for the Gaza Strip and is not capable of handling containers.

E. Sources of Growth

A possible source of growth in the transition period is infrastructure. Palestinian infrastructure was neglected over the occupation years. Hence, major investments in roads, telecommunications, electric grids and sewage are needed if the Palestinian economy is to take off. Yet, PNA revenues are too limited to embark on an ambitious investment program in infrastructure. The bulk of these investments should therefore be financed by foreign donors. Such investments represent a much more efficient use of donors' funds than the present tendency toward financing PNA current expenditures. Committing funds to infrastructure development not only creates jobs in the transition period when

¹² The port could facilitate exports to Israel because it reduces security risk. After all, it is much easier to conduct a security search for one ship than for tens of trucks.

few are being created by private sector investment, but it also facilitates private sector investment and job creation in the post-transition period.

Tourism and agriculture may also represent sources of growth in the transition period. Palestinian agriculture will no doubt benefit from the downward pressure on wages resulting from the closure and the removal of some arbitrary Israeli restrictions on planting following the transfer of authority over civil affairs to the PNA. The growth potential of this sector, however, is limited due to water souring and the lack of foreign markets. The tourist sector should also benefit from a recent increase in the number of tourists visiting the region. Substantial growth in the sector, however, will come only after heavy investment in hotels and site development, which is not expected in the transition period.

IV. Sources of Capital

A. Introduction

Some of the capital needed for increasing the job creation capacity of the Palestinian economy may be mobilized locally. The rest needs to come from abroad, either as foreign aid or investment. In the transition period, capital formation is expected to be limited because of political and economic uncertainties, which are expected to limit foreign investment as well as the portion of domestic savings invested in the West Bank and Gaza Strip. This increases the importance of foreign aid as a source of capital in the transition period.

B. Domestic Savings

Until two years ago, there was hardly any financial intermediation in the West Bank and Gaza Strip. The banking system then consisted of the Bank of Palestine, which had five branches in the Gaza Strip, and the Cairo Amman Bank, which had nine branches in the West Bank¹³. Other financial intermediaries hardly existed then. Most of the savings of the Palestinians in the West Bank and Gaza Strip in this period were kept in cash or deposited in banks

¹³ Data about the Palestinian banking system was taken from Hamed [2]

located outside the area. In either case, the savings were not invested in the local economy.

With the signing of the Oslo Accords, the Palestinian financial system in the West Bank and Gaza Strip expanded substantially. Much of the expansion took place in the banking sector. By the end of September 1995, the West Bank and Gaza Strip had 12 banks with 49 branches. Of these, only three banks with 11 branches were chartered in the West Bank and Gaza Strip.

The expansion of the Palestinian banking system in the last two years made it possible for West Bank and Gaza Strip residents to repatriate their savings. By the end September 1995, total deposits in the West Bank and Gaza Strip reached \$1,013 million, compared with \$219 million at the end of 1993. A great number of West Bank and Gaza Strip bank deposits, however, are still not invested locally. At the end of September 1995, the lending deposit-ratio in the West Bank and Gaza Strip was only 23%.

The main factors that inhibit bank lending in the West Bank and Gaza Strip are the lack of acceptable collateral and political and economic uncertainties. For the situation to change, the final status negotiations will need to reach a successful conclusion. An increase in bank lending needs therefore to come about largely by increasing the availability of collateral. If that is to happen, a serious overhaul of the Palestinian legal system will be needed.

C. Foreign Investment

There was hardly any foreign investment in the West Bank and Gaza Strip over the occupation years. The economic environment of that period was not hospitable to foreign investment while the Israeli military authorities were not interested in attracting investors. Official attitudes towards foreign investment have changed in the last two years. Unlike the Israeli military authorities, PNA officials seem to appreciate the role of foreign investment in the Palestinian economy. However, this has not yet led to significant foreign investment. Even following a successful conclusion of the final status negotiations, the West Bank and Gaza Strip will have to compete with other areas of the world, like Southeast Asia and Eastern Europe, for foreign capital. To do that

successfully, a serious effort should be made to rebuild the West Bank and Gaza Strip infrastructure. Legal and regulatory infrastructures should also be made hospitable to foreign investment. This should include capital mobility and transparency in government regulation.

The most promising source of foreign investment for the West Bank and Gaza Strip is the large number of Palestinians in the Diaspora. Unlike other potential foreign investors, many Diaspora Palestinian have roots in the area, thus making it easier to identify investment opportunities and to carry them out. This also puts them in a better position to enter into joint ventures with current West Bank and Gaza Strip residents. Like other foreign investors, Diaspora Palestinians, nationalist sentiment notwithstanding, are not expected to make substantial investments until the proper infrastructure, legal institutions and regulatory regimes are in place. To attract Diaspora investors, the PNA needs to make serious efforts to reach them and to acquaint them with investment opportunities in the region; it should also encourage them to re-establish their roots in the West Bank and Gaza Strip. Towards this end, the PNA should give Diaspora Palestinians a right of return comparable to the one granted by Israel to Jews worldwide.

D. Foreign Aid

Since private investment in the commodity-producing sectors of the Palestinian economy is not expected in the transition period, special emphasis should be put on investment in the infrastructure as a source of economic growth and job creation. Apart from its value as a source of jobs, investment in infrastructure increases the chance for private investment in the post-transition period.

PNA resources are presently too limited to finance substantial investment in the infrastructure. Some of the funds needed for investment in infrastructure projects can no doubt come from the private sector¹⁴. The bulk of these funds, however, can only come from foreign aid.

¹⁴ A case in point is the phone system, where a newly established private sector company is already in the process of doing so.

Following the signing of the Oslo agreement between the Israeli Government and the PLO, donors pledged to contribute \$2.4 billion over five years towards developing the Palestinian economy in the West Bank and Gaza Strip. The bulk of this money was supposed to be used in rebuilding the infrastructure, which was neglected over three decades of Israeli occupation. By the end of 1995, about a third of this amount was actually disbursed under various mechanisms. Only a small fraction of this money, however, was invested in rebuilding the infrastructure.

V. Concluding Remarks

Job opportunities for Palestinians in both Israel and the Gulf have dried up in the last few years. This makes it necessary for the Palestinian economy in the West Bank and Gaza Strip to increase its capacity to create jobs. The chances for doing so in the transition period are not encouraging because of political and economic uncertainties. Long-term prospects, however, are more promising.

The main engine for long-term growth in the West Bank and Gaza Strip can be provided by export oriented industries. Some of the investment funds needed for developing these industries can no doubt be mobilized locally. The bulk of these funds, however, must come from abroad.

An important ingredient for long-term economic growth in the West Bank and Gaza Strip is the contribution of Palestinians in the Diaspora. In the absence of alternative investment opportunities, Palestinians invested heavily in education over the last four decades. The stagnation of the Palestine economy in this period made it impossible, however, for the Palestinian economy to make proper use of its enormous investment in human capita, thus forcing a large number of Palestinians to seek job opportunities abroad, particularly in the Gulf. Over the same period, Palestinians in the Diaspora amassed substantial financial capital. If the PNA manages to attract a significant portion of Palestinian human and financial capital from the Diaspora, it will go a long way towards enabling alleviating the current economic problems and those of the future.

Political and economic uncertainties make it highly unlikely that substantial foreign investment will be made in the West Bank and Gaza Strip in the transition period. These uncertainties also limit the role of domestic savings as a source of investment. As for foreign aid, it was supposed to be a major source of investment in this period; at least that was the declared intention of major donors to the West Bank and Gaza Strip. So far, that has not happened, and most of the funds committed have gone to current expenditures. This ought to change if the West Bank and Gaza Strip are to create jobs in the transition period and rebuild the infrastructure needed to attract substantial private investment in the post-transition period.

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Demographic Conditions and the Jordanian Economy

Structural Characteristics and International and Regional Variables

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Introduction

The population element and demographic structure in Jordan, which has been the scene of several major waves of immigration, have been influential factors in the development of the economy of contemporary Jordan. Their influence becomes evident whether we analyze the historical development of the Jordanian economy since the 1940s, study the current realities governing the Jordanian economy, or examine the various scenarios governing the development of Jordan's economy in the future.

In a similar manner, the unique features of the Jordanian economy have left their imprint on the demographic structure of contemporary Jordan. There is domestic immigration in Jordan, whereby the population tends to be concentrated in the central part of the country. Other unique features of the Jordanian economy at present are related to manpower and the fact that the work force has a relatively high education, while the country's labor market is simultaneously a provider and recipient of labor.

In fact, population and the economy in Jordan have a reciprocal relationship, whereby it is difficult to separate one from the other, or to consider one as a constant factor and the other as a variable. Both population and economy in Jordan are variables that for the last half-century have been affected by regional conditions. They can be viewed either separately or simultaneously as being directly affected by the consequences of the Arab-Israeli dispute, other regional conflicts, such as the first and second Gulf wars and the prevailing economic and political conditions in the Arab World.

Jordanian economic literature highlights the negative aspects of the flow of immigration waves resulting from the Arab-Israeli wars. These wars are viewed as an enormous economic burden - which they are. However, these wars have, in a different way, also contributed significantly to the formation of contemporary Jordan. They are responsible in one way or another for Jordan's economic growth and social development in the last few decades, irrespective of how we view the pattern of this development or limitations.

Similarly, there are diversified possibilities for the future. Certainly, Jordan will be affected by the final settlement of the problems of the refugees and evacuees. Whether the consequences of such a settlement are negative or positive, a just solution of the problem of the refugees should crown the peace that has been reached between the Palestinians and the Israelis. Coexistence should follow, because it is one of the most significant goals sought by the current peace process along with political stability and regional security of the states of the region. During its short history, Jordan has experienced different types of demographic, and even geographic changes. The existence of the country has never been threatened by these changes, although they have, at times, been violent changes, such as the Israeli occupation of the West Bank in June 1967 and the earlier mass immigration of the Palestinian refugees in 1948. These waves of immigration have caused the population of Jordan to triple since 1948. The most recent instance was the forced repatriation of Jordanians living in the Gulf states during and after the second Gulf war.

With this reciprocal relationship between the demographic and economic dimensions in mind, this paper will first review the population developments, because they, at least from the historic point of view, preceded the growth of Jordan's contemporary economy, and because the solutions offered to settle the refugee problem will have a direct and clear impact on the Jordanian economy. The paper will then discuss the most prominent features of the Jordanian economy and the impact of the international and regional changes on its subsequent growth.

I. Population and the Demographic Changes

A. Jordan's Total Population:

Jordan's population, according to the 1994 census, totaled 4,139,458 people. Thus the population increased sevenfold between 1952 and 1994, with an average population growth of 4.7% per year.

Although the large rate of population growth in Jordan was due to numerous factors, such as natural growth, fertility and mortality rates, this rate was directly affected by the immigration factor, particularly the waves of immigration that resulted from the wars of 1948 and 1967 and the forcible return of Jordanian expatriates from the Gulf states in the aftermath of the second Gulf crisis in the summer of 1990.

Table 1 and 2 below show population growth in Jordan according to the aforementioned census for the period from 1952 to 1994.

Table 1: Population Growth, 1952-1994 (Censuses)

Period	Growth Rate (%)
1952-1961	4.8
1961-1971	4.8
1979-1994	4.4
From 1952 till 1994	4.7

Table 2: Inhabitants of Jordan, Changes 1952-1994

Year of the census	Number of inhabitants
1952	586200
1961	900800
1979	2132989
1994	4139458

Before we review the various demographic indicators and features, we will take a quick look at the impact of the various waves of immigration and the different categories of refugees flowing into the country.

B. Palestinian Refugees in Jordan

- *The 1948 War Refugees:*

The International Economic Survey Team, which visited the Arab countries of the Middle East in 1949, estimated that the number of the Palestinian refugees who immigrated to the neighboring Arab countries totaled 774,000 people. Of these, some 70,000 refugees came to Trans-Jordan. Others were settled in the West Bank, the Gaza Strip, Syria, Lebanon, Egypt and other countries. As a result of the immigration from the West Bank to the East Bank between 1948 and 1967 and other factors, such as the natural growth of the refugee population, the June 1967 war and the waves of immigration that followed, the number of Palestinian refugees in Jordan rose to 1,193,339 people, according to the estimates of the UNRWA.

It is noteworthy that these figures exclude the families that departed from Palestine immediately before or after the outbreak of hostilities of the War of 1948 and managed to survive without the help of the UNRWA.

- *The Evacuees of the 1967 War:*

The number of evacuees from the West Bank and the Gaza Strip in the aftermath of their occupation by Israel in the June 1967 war was estimated at 234,000 people, according to the report of the UNRWA commissioner general, which he submitted to the UN's 22nd session. This figure does not include some 100,000 refugees from West Bank refugees camps, who became refugees for the second time.

Government authorities in Jordan classify the several categories of refugees and evacuees in the following manner:

- *The Evacuees of 1967:*

These are some 100,000 Palestinian evacuees, who became refugees for the second time in 1967. They had originally settled as refugees in the West Bank and the Gaza Strip after the War of 1948, but evacuated to Jordan in the aftermath of the War of 1967. They also include first-time evacuees from the

cities and villages of the West Bank and the Gaza Strip after the War of 1967.

- *Palestinians Living in the Villages of the Armistice Line:*
These people departed from their front-line villages adjoining the armistice line after their villages were demolished by Israel, or they were deported by Israel from these villages and prevented from going back to them. Some of them left on a temporary basis to work in other places, and some were forcibly deported by Israel for political reasons.
- *Persons who left the West Bank for Jordan either in order to study or work using Israeli-issued documents and permits:*
These people were unable to renew these permits and consequently, they lost their right to return to the occupied West Bank according to the Israeli military orders.

All in all, Jordanian sources estimate the *total* number of evacuees to be about 900,000 persons, half of whom are classified as refugees.

Table 3: Refugees, Distribution by Host Countries, 1994

Country/Region	Number of Refugees
Jordan	1193339
Lebanon	338290
Syria	227288
The West Bank	504070
Gaza Strip	643600
Total	3006587

Source: UNRWA, 1994.

- *Expatriates returning from the Gulf states:*
These are the people who were compelled to leave Kuwait, Saudi Arabia and other Gulf states under the pressure of the Gulf crisis and war. Some of them are evacuees, and some are refugees, and some can be classified under the two categories of refugees and evacuees simultaneously. They originally left Jordan for the Gulf states before or after the War of 1967. They have one thing in common: they do not need the services of the UNRWA. The number of expatriates returning to Jordan from the Gulf states during or after the second Gulf crisis and war is

estimated at 300,000 persons. Most of them are either Palestinian refugees or evacuees.

C. Current Demographic Features

The population structure in Jordan has undergone several important changes in the last two decades. These changes can be summed up as follows:

- The number of Jordanian families doubled in the period between 1979 and 1994 as a result of a high annual growth average estimated at 5% per year during that period. In contrast, the average family size dropped from 6.7 to 6.2 persons during the same period. The biggest drop was in the governorates of the central part of Jordan (Amman, Zarqa and Madaba).
- The age structure of the population witnessed a noticeable drop in the category of people below 15 years of age. People below 15 years old represented 41.4% in 1994 compared to 50% in 1979. In contrast, people in the productive age of 15 to 64 years old represented 56% of the total population compared to 47.3% in 1979. This meant a drop in the overall average of persons who support other members of the family from 1.1 persons in 1979 to 0.8 persons in 1994. The decrease included both people below and above 15 years old.
- The gender structure of the population showed a continued increase of the ratio of males to females, i.e., 100 females for each 109 males. Often this was a reflection of the impact of immigration on the gender structure of the population.
- The 1994 population census showed that 38% of the total population of Jordan live in the Amman Governorate. This is followed by the Irbid Governorate where 18.2% of the total population of the country live, then the Zarqa Governorate where 15.4% of the total population of Jordan reside. It is noteworthy that 63% of the total population of Jordan live in four governorates in the central part of Jordan - Amman, Balq, Zarqa and Madaba.
- According to the census, 92.4% of the population of Jordan have Jordanian citizenship, while 7.6% of the population have non-Jordanian citizenship. However, the declared results of the

census did not show the ethnic and religious distribution of the population. Nor did the census indicate the number or ratio of Jordanian citizens of Palestinian origin.

- According to the 1994 population census, the total number of Jordanian nationals who returned home from the Gulf states stood at 216,133 people constituting 5.2% of the total number of returnees. Returnees from Kuwait constituted 87% of these people, while returnees from Saudi Arabia constituted 7% of the total number of returnees. Of the total number of returnees, 48% returned to Jordan in 1990, 38.1% in 1991, and the remainder some time afterwards.
- As for the educational standard of the population, the 1994 census showed that illiteracy rates dropped sharply between 1979 and 1994. The drop was most noticeable with regard to females, with the illiteracy rate dropping from 48.2% in 1979 to 20.6% in 1994, while the illiteracy rate for males dropped from 18.9% in 1979 to 9.8% in 1994.

Similarly, the rates of holders of secondary school certificates rose to 37.2% in 1994 compared to 19.1% in 1979 for males, and to 31.8% in 1994 compared to 10.2% in 1979 for females. This phenomenon could be interpreted by the increased demand for education and the expansion of educational services in the last two decades. The rate of illiteracy in Amman was 10.9%, which was much lower than in rural areas such as Ma'an, Tafileh, Karak and Mafraq where educational development has been slower. Generally speaking, the rate of female illiteracy was much higher than the rate of male illiteracy.

Going back to the survey that accompanied the 1994 population census, it is noteworthy that the survey was conducted three weeks before the initiation of the census and included a sample of about 67,000 families, or about 10% of the total number of families in Jordan. Consequently, we can recognize a number of important population features from the survey:

- As far as education is concerned, the survey shows that 7.4% of the population of Jordan who are above 15 years old are university graduates and that 9% are graduates of university colleges (two years of university after high school).

- The survey also indicated a high rate of participation by people above 18 years old in the economic activities of the country. The rate of participation reached 50.3% for both sexes (83.9% for males and 16.5% for females). This rate was 46% in 1991 (77% for males, 13% for females). The highest rates of participation were for people in the age group 25 to 29 years old and the age group 30 to 34 years old where the rate of participation reached 61% and 60.3% respectively.
- The 1994 population census showed that the number of people who are 18 years old or older totaled 1,882,000. This figure includes 947,000 males and 935,000 females. Judging from the averages of participation in the economic activity of the country, the labor force in Jordan consists of 949,000 people, including 795,000 males and 153,000 females.
- According to the survey that accompanied the population census of 1994, the rate of people who were born in Jordan and changed the place of their residence to outside the governorate in which they were born totaled 9.7% of the total number of population. Of this figure, 58.1% went to reside in the governorates of Amman and Zarqa, 9% resided in the Irbid Governorate, and 7% resided in the Mafrqa Governorate. The three governorates of Amman, Zarqa and Irbid also recorded the highest rates of migration to the other governorates.
- The survey also showed that the rate of disability among the population of Jordan is 1.3% of the total population. In other words, there are seven disabled people for every 100 families in the Jordanian society. Physical disabilities constitute some 28% of the total number of disabilities, while hearing and speech disabilities constitute 16%, mental disabilities constitute 12% and chronic diseases constitute 12.8% of the total number of disabilities.

The survey also indicates that well over 50% of the reported disabilities were very severe cases, while medium disabilities constituted 31% and minor disabilities constituted 15%.

II. The Economic Structure in Jordan

In view of its size and characteristics and in view of Jordan's geopolitical location and strong link with the facts of the Arab-Israeli conflict, the Jordanian economy has been for the last one half-century greatly affected by the regional and international developments that have been taking place. The Jordanian economy, as a model of a small, open economy has been historically affected by the various shocks and the changes that have taken place within the regional and international framework. The Jordanian economy has sustained the long-term impact of Jordan's confrontation with Israel with its demographic, economic, social and cultural dimensions. This confrontation has left strong imprints on the structure of the Jordanian economy and its current characteristics, and has left it with a number of structural bottlenecks.

A. The Major Characteristics of the Jordanian Economy:

- *The Jordanian Economy as a Small-Size Economy:*

We indicated a while ago that Jordan's population reached 4.1 million in 1994. Thus Jordan belongs to a group of countries that have small-sized economies with limited domestic markets. The limited Jordanian domestic market is further aggravated by a low per capita income. Consequently, the purchasing power of the individual is low and trade exchange operations, which are still being done in a traditional way, are limited.

Unlike several other Arab countries, Jordan has no important natural resources that might help offset the small-sized domestic market or provide high incomes for the country. Oil has not been discovered in Jordan in commercial quantities despite all attempts at oil exploration. Jordan also suffers from an acute shortage of water resources. Nevertheless, Jordan has an important extracting industry that depends on the raw phosphates, potash and other less important raw materials. Meanwhile, like other neighboring countries, Jordan has a wealth of historical and archeological sites and elements of tourist attraction. But they have not been exploited on a large scale. The high educational and professional standards of Jordanians constitute an additional advantage for the Jordanian economy. Jordan has utilized this advantage to encourage immigration to the oil-producing Gulf states and managed to obtain important revenues in hard currency from the

remittances of Jordanian expatriates in these countries. Jordan has also promoted its medical and educational services in the last few decades in order to improve its external resources.

- *The Jordanian economy is an economy that relies heavily on foreign assistance and resources:*

The distortions of the modern Jordanian economy began when the Jordanian entity was formed in the early 1920. These phenomena accompanied the Jordanian economy until the late 1940s. The rise of the modern economic sectors in Jordan was linked with spending by the state, the civil bureaucracy and the army. This spending in turn was dependent on the annual British subsidy given to Jordan. Jordan's trade in commodities with other countries was very limited, and until the end of the 1940s, the balance of trade was negative. The deficit in the balance of trade continued year after year. However, the distortions that were characteristic of the Jordanian economy became increasingly evident after the War of 1948 as the state's civil bureaucracy and the army were inflated by the impact of this war and the large-scale Palestinian immigration to Jordan.

The War of 1948 was followed by a merger between Jordan and the West Bank, and the population grew by threefold. Pressure intensified on various social services, such as education, health, housing and others. This in turn created a larger state bureaucracy in order to cope with the services in demand. The state doubled the size of its spending. The number of people enlisted in the armed and security forces increased significantly. The same applied to military spending.

Generally speaking, the basic developments that accompanied the emergence of the Palestinian problem have caused an increase in demand for wide-scale infrastructure services and a raise in demand for consumer and investment commodities as well as services pertaining to trade, construction and transport. Cities and domestic markets grew on a very large scale.

As a consequence, two parallel phenomena became evident. First, there was a rapid growth of the deficit in the balance of trade and in the balance of payments as a result of the expansion of imports and the limitations of the traditional Jordanian exports. Second,

the deficit increased in the state budget as a result of increased spending and poor state revenues from the various domestic sources.

The deficit in the balance of trade and balance of payments have been offset in the last four decades by revenues generated by remittances from Jordanian expatriates working abroad and by the domestic revenues of tourism and non-commodity exports. Meanwhile, foreign loans, grants and aid were used to offset the budget deficit. Until the early 1990s, British and then American and European aid and finally Arab aid was used to offset the deficit in the Jordanian budget.

- *The inflation of the state role in economic operations:*

With the unique growth of the Jordanian economy within the context of the Arab-Israeli confrontation and the inter-Arab cold war, the sector of government services, management and defense played an important role in the economic process. Meanwhile, the circumstances of the Arab-Israeli conflict and the emergence of the Palestinian problem dictated an inflation in the size of the armed and security forces. Moreover, the same circumstances dictated the inflation of the state bureaucracy that had to undertake the major and direct responsibility for public services, such as education, health, water, social welfare, and transport, and to establish infrastructures and provide maintenance services for them. The state also undertook direct responsibility in the sectors of reconstruction, housing, air and maritime transport and intervened in the pricing of basic consumer commodities, providing subsidies to some of these commodities. It also took over the management of the social security corporation and the vocational training corporation, etc.

In view of the extreme expansion of the role of the state, the participation of the state in the economic and social sectors was called “unnamed socialism.” The state is regarded at present as the largest single employer of manpower, and it is believed that the state employs about half of the working force in the country, by employing people in the various state bureaucracies, public sector corporations and various other independent corporations affiliated with the public sector.

- *The limited contribution of the commodity sectors in the Gross Domestic Product:*

Since the early 1960s, government development plans have been seeking to overcome the structural bottlenecks in the Jordanian economy. These bottlenecks were mainly evident in the weak participation of the commodity producing sectors in the Gross Domestic Product (GDP) and the exaggerated expansion of the services sectors. The 1970s and the first half of the 1980s were considered the golden period of intensive and centrally planned development. Enormous resources were allocated to finance development projects. Nevertheless, the relative importance of the commodity producing sectors in the overall economic activity rose by only 5.5%, or from 31% in 1972 to 36.5% in 1985. The major contribution to the generation of national income remained the responsibility of the services sectors at rates ranging from 69% in 1972 to 63.5% in 1985. There has been no substantial change in this situation in the last ten years.

Despite the successive development plans, the Jordanian economy was lacking in diversity in the production sectors. It could only produce a limited number of commodities designated for export, such as the extracted commodities, agricultural produce, processed foodstuffs, medicines and chemicals.

- *The rise of consumption spending by rates that exceed the national income and the dependence of investment on external financing:*

In the 1970s and the first half of the 1980s, spending on consumption exceeded the GDP by rates ranging from 9% to 30%. The rising consumption spending was financed from external remittances, particularly remittances transferred by Jordanian nationals living in the Gulf states.

While long-term savings and deposits were deposited at banks to finance the activities of the non-commodity sectors, particularly foreign trade transactions, retail trade, real estate and lands, the share of the commodity sectors in the overall activities of the economy was much less than the benefits that would be reaped from the credit facilities offered by commercial banks. Meanwhile, the state's development projects were dependent on foreign loans. Although most development loans were offered at easy terms as far as interest rates and repayment periods are

concerned, they have contributed to raising the domestic demand for commodities and services and created an inflationary situation.

The dimensions of the foreign debt crisis only became clear in the late 1980s, when there was an increase in borrowing from commercial banks. High-interest short-term loans that were used to cover the deficit in the state treasury for several years exposed Jordan's inability to service its foreign debts, which stood at US\$11 billion in 1988, compelling Jordan to enter into negotiations with the International Monetary Fund (IMF) to reschedule the foreign debts. As a consequence, a harsh program of structural adjustment was applied, and it is still enforced to date.

- *The Jordanian economy as a provider and recipient of labor:*

Despite the relative improvement in the rate of economically active people in recent years, Jordan remains a country that has a large number of young people among its total population. This explains the low rate of economic participation of females at the working age and the delay of the entry of young people (15 years old and above) in the labor market as they enroll in schools and universities for high school, community college and university education.

Furthermore, the labor force is suffering from an imbalance in its sectional and professional distribution, as this labor force is concentrated in the services-producing sectors at the expense of the commodity-producing sectors. The government's services sector and state corporations attract the larger part of the economically active labor force. Needless to say, the state bureaucracy and corporations are the main places where covert unemployment is so clearly evident.

In the last ten years, unemployment averages increased drastically as a consequence of the economic recession that Jordan has suffered, particularly since the mid-1980s. Economic conditions continued to deteriorate after the Gulf crisis and war in the aftermath of the return of hundreds of thousands of expatriates to Jordan.

The problem of unemployment has historically been associated with the Jordanian economy. The years when Jordan had no overt unemployment, namely the second half of the 1970s, were extraordinary and exceptional years. Unemployment is an inevitable reflection on the structure of the Jordanian economy. The proposed way out of the problem was expansion in education and vocational training and rehabilitation to qualify Jordanians for employment in the Gulf markets. However, this strategy began to lose its effectiveness as oil-producing Gulf countries were completing the building of their government bureaucracies. Furthermore, the intensive development momentum in these countries was consumed by the end of the 1970s, and the Jordanian labor force was encountering increasing competition in the Gulf markets from Asian labor and other Arab labor forces.

Meanwhile, the Jordanian labor market was turning into a recipient of labor starting in the mid-1970s as a result of the increased demand for skilled and trained workers in the Gulf states. The consequence was an acute shortage of domestic supply of labor in a number of professional categories. In fact, the extensive demand for education and the improvement of salaries in certain sectors of the Jordanian economy has gradually emptied the rural areas of the cheap labor force that was there in abundance. Other low-wage economic sectors followed the example of the agricultural sector. Meanwhile, there was an increasing demand for foreign labor, particularly from Egypt, Syria and some Asian, low-wage countries.

Thus what appeared to be a limited phenomenon in the mid-1970s became a permanent feature of the Jordanian labor market. It has become a strong supplier of Jordanian workers. Similarly and with the same intensity, it has become a strong recipient of foreign workers.

Conclusion

The main conclusion of this study is that the Jordanian economy needs a qualitative change in its sectional structure and in the general environment of investment. This includes the need to reduce the role of the state in economic activity, the updating of laws in order to make them more capable of attracting investments,

simplifying measures and procedures and encouraging the trend to turn the Jordanian economy into an export economy.

This conclusion is based on a number of facts:

1. The Jordanian economy needed and still needs a qualitative structural adjustment. Since the early 1980s, the Jordanian economy has been undergoing a period of recession. The only way out of the recession is to place the economy in a position that can generate a local productive income that can meet the demand for consumption and investment. The Jordanian economy should be able to do so depending on its own resources.
2. International economic policies in the 1990s press on the Jordanian economy new challenges manifest in the fact that it should be more open to international markets and should be more competitive in terms of quality and price.
3. The deteriorating inter-Arab relations and the attrition of resources as a consequence of the Gulf war has weakened the capability of the Arab countries to fulfill their commitments to assist Jordan economically and financially.
4. The entry of the Arab-Israeli conflict into the phase of a peaceful political settlement dictates that the countries of the region, and Jordan in particular, restructure their economies. In the case of Jordan, it should minimize the inflating role of the state in economic activity, reduce the extended size of the government bureaucracy and the public sector, reduce military spending, and allocate more resources for infrastructure and development projects. The private sector should be encouraged to take the initiative to oversee economic growth and to attract foreign investment.
5. The bottlenecks that are a consequence of unemployment and poverty need genuine solutions. An appropriate atmosphere for economic growth and attracting foreign investments should be provided. This requires the following:
 - The peace process should reach decisive results on its Palestinian, Syrian and Lebanese tracks.
 - There should be an effective political and administrative reform of the state bureaucracy, and the introduction of the principle of

competence and equality of opportunity among all citizens in government appointments and in all other aspects of life.

- The democratic process should continue and should be freed from obstacles placed by the government or the state bureaucracy. Legislation governing the political life of the country should continue to be reformed and democratized.
- The social security law should be updated and modernized and the umbrella of health insurance should cover the entire population. The new labor law should be expeditiously endorsed and the taxation system should be improved. The employment of people should be undertaken in accordance with the criteria of competence and equality of opportunity and the huge gap between incomes should be narrowed. Self-confidence should be restored and the young should be taught to view the future with optimism. Furthermore, economic stability should be provided to the middle class and the work environment in general should be improved.

Annex: Selected Economic Indicators

Economic Indicator	1980	1995	Changes (1980=100)
Inhabitants (thousands)	2215	4096*	185
Work force (thousands)	420	859.3**	205
GNP	1213.7	4039.2*	333
Building permissions (1000 m ²)	1949.4	5144.9	264
Maximum cost of living (1980=100)	100	248	248
Quantities of electricity consumed (MW/hour)	877	4329.7*	494
Exchange rate (US\$)	3.4	1.4	41
National income of the government (millions of Jordanian Dinars)	226.1	1306.4*	577
External income of the government (millions of Jordanian Dinars)	280.9	383.6*	136
Balance resulting from external debts (millions of Jordanian Dinars)	---	4612.6*	Unknown
Balance resulting from internal debts (millions of Jordanian Dinars)	197.8	966.1	488
Exports (millions of Jordanian Dinars)	120.1	1004.5	836
Imports (millions of Jordanian Dinars)	716	2590	362
Deficit in the balance of payments (millions of Jordanian Dinars)	543.3	1362.4*	251
Transfers made by Jordanians working abroad (millions of Jordanian Dinars)	236.7	763.7*	323

* Figures of 1994

** Figures of 1993

Source: Made by the researcher based on the publications of the Central Bank



The Israeli Economy

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Between 1990 and 1995, the Israeli economy grew rapidly, by an average rate of 6% a year. Investment rose by an annual average of 14% (see *Appendix, Table 1*). This growth was made possible by a number of factors.

The first factor was the high level of immigration from the former Soviet Union. Between the end of 1990 and 1995 over 600,000 immigrants came to Israel. They added to the level of demand and to the supply of labor (see section on demographic developments below).

The second factor was the peace process, which increased confidence in Israel and resulted in a major improvement in its image abroad. With the crumbling of the Arab secondary boycott, foreign firms and banks became willing to do business with Israel. This opened new markets and sources of supply. During the first half of the 1990s, Israel established, or significantly improved its diplomatic relations with India, China, Korea and Japan, as well as the countries of the former Soviet Union and Eastern Europe, and these countries became new and fast-growing markets for Israeli exports.

The peace process also enabled Israel to import capital on a large scale and on favorable terms, which helped to balance the deficit. This was vital given the imbalance between supply and demand in the domestic economy. Israel imports much of the capital equipment that it uses and the current investment boom has been funded by supplier credits and loans that were often facilitated by using US guarantees.

A third factor, related to the peace process, was the reduction in the defense burden, which released resources for civilian uses, including investment (see *Appendix, Table 1, 5th column*). In 1980,

total defense spending accounted for 23.2% of the GDP; in 1990 for 13.5%; and in 1994 for 10.3%. This included spending abroad funded by the US (see *Table 2*).

Table 2: Defense spending as a share of the budget

1986	24.0%
1995	17.8%
1996	16.4%

Coupled with the reduction in the defense burden was a fall in debt-related spending, which freed more resources for other uses (see *Table 3*).

Table 3: Shares of the total budget

	<u>1986</u>	<u>1996</u>
Debt and defense	64.0	48.6
Investment and credits, transfers, supplements, and civilian consumption	36.0	51.4

Between 1990 and 1993, the high rate of growth, which occurred as a result of rapid investment in infrastructure, did not cause a deterioration of the balance of payments. Aid from the US and other transfers from abroad were large enough to cover the deficit on trade in goods and services. Since 1994, Israel has had to supplement these sources by borrowing from abroad, which has increased the foreign debt. However, given the favorable developments described above, Israel's credit rating has improved. (Standard & Poors increased their rating for Israel from 'BBB+' to 'A-' in December 1995.) The improvement in the credit rating was due to the decline in the debt burden, accompanied by the perception abroad that there is a consensus in Israel on the need for a low budget deficit. The role of US loan guarantees has been significant in boosting confidence and has made foreign borrowing easier.

The net effect of the above was that in 1984, the total debt equaled approximately 75% of GDP; by 1994, the total debt came to about 25%. This dramatic change was a function of two things: the economic stabilization program of 1985 and of the growth of the

GDP since 1990. The first reduced the need to borrow and the second increased the denominator and thus reduced the ratio of debt to GDP.

The main sources of growth in 1995 were the trade and service sector, which grew by 12% in real terms, industry, which grew by 7.5% and construction, which grew by 7%. Within the services sector, tourism did particularly well, with a 72% rise in foreign currency earnings between 1992 and 1994. There have also been large increases in investments in roads and telecommunications, which have led to the growth in the transport and telecommunication sectors. The high growth rates show that the Israeli economy has not yet reached full maturity.

House building has experienced a major boom since 1990 as a result of the large scale immigration. At present about 80,000 immigrants are coming to Israel each year. This, together with the natural increase in the population and higher living standards, has boosted demand for housing. The annual level of housing started in 1990-94 was 140% above its 1987-89 level.

Industrial production rose by an annual average of 7.3% between 1990 and 1995. Within industry, the high technology sector has done particularly well. Its success has been helped by the continued move from military to civilian applications in many companies, something that has increased the marketability of products and has enabled the sector to increase exports.

The economic picture is not without problems. The deterioration in the balance of payments has been the result of a number of factors. First, the level of demand in the economy has been high: private consumption (see *Appendix, Table 1, 8th column*) has grown and the government's budget deficit in 1995 was estimated at over 3.5% of GDP compared with a planned level of 2.75%. This resulted in a strong demand for imports and may have acted as a disincentive to exports for those companies where sales involve both local and foreign markets.

Second, the virtually unchanged shekel-dollar exchange rate in 1994 and most of 1995 resulted in a real revaluation of the shekel and made exports to the US less competitive, given the faster increase in the rate of inflation in Israel, as opposed to in the US. It

also reduced the relative price of US imports in Israel. The shekel became overvalued against other currencies, although to a lesser extent, with similar effects but on a smaller scale.

Another factor that reduced the economy's competitiveness was the slow growth in productivity. Most of the increase in output during the 1990s, in both the economy as a whole, and in industry in particular, has resulted from increases in inputs (labor and capital) rather than increases in productivity (the efficiency with which they have been used). This is not necessarily a problem if it is a feature of the period of fast growth in inputs and is then followed by a period of consolidation. The open question is whether output will continue to grow rapidly if and when input growth slows down.

Aggregate figures, especially regarding productivity, do not reveal trends within different sectors. The electronics industry has increased its output by 15% a year in the last three years and it now equals \$6 billion. A total of 40,000 people are employed in knowledge-based industries, including 13,000 with an academic education. Only 30% of electronics output is accounted for by defense.

Three trends that have become apparent in recent years bode well for the future. The first is a gradual move towards lower government spending as a share of the GDP. In the period 1980-1985, government consumption (including that of local authorities) averaged 24.3% of the GDP. Partly because of the volume of total government spending, and also because of the large deficit, this became one of the causes of a major economic crisis in 1985. The major economic stabilization program carried out in that year reduced government consumption, which averaged 20.9% of the GDP in the years 1986-1989.

Due to the high level of immigration, in the period 1989-1990 the Ministry of Finance decided to increase government spending, and, at least temporarily, suspend the move towards a lower share of government spending in GDP. Yet, despite this, provisional, official figures show that in the period 1990-1995, the share of government consumption expenditure in GDP fell to 20%. In 1995 there was,

however, an increase in spending and the budget deficit, but this may be reversed in 1996 or 1997.

The second trend has been the increased internationalization of the economy. This has resulted from the opening up of the economy to imports from South and South East Asia, with decreasing levels of protective duties. The implementation of the World Trade Organization, Uruguay Round, agreement has meant that Israel is now ending quotas on processed food imports and replacing them with tariffs that will gradually be reduced. Israel also has agreements with a number of other countries, such as Russia and Turkey, to increase trade. The share of imports in GDP rose from 45.7% in 1990 to 48.3% in 1995, mainly as a result of high domestic demand, but the share of exports fell from 34.7% to 32.1%.

Israel has traditionally/historically benefited from very little foreign investment. This has not prevented the development of local technology, but has affected the ease of marketing of Israeli products abroad and the quality of management at home, increasing Israel's level of self-reliance.

Although the international financial and industrial community partly boycotted Israel until recently, Israel was able to maintain scientific and educational links abroad. It continues to educate and train scientists and engineers, partly but by no means wholly because of military demand.

A number of American high tech companies invested in Israel, despite the boycott because of Israel's skilled labor force and also because they had no significant Arab markets.

The level of foreign investment can be an important variable in the development process. This is especially true in countries that have been unable to raise the skill levels of workers and management to a point where they can absorb foreign technology without the need for foreign investment. The models for this self-sufficient pattern of development, which discouraged foreign investment were Japan and South Korea. Israel was, therefore, an unwilling member of the low foreign investment club. It developed its own technological base and imported capital equipment to meet its needs.

Foreign investment has been rising, both passively on the stock exchange and actively through direct investment in companies. In the period 1998-1990, average annual foreign direct investment was \$281 million. In the period 1991-94, it averaged \$694 million. Israelis were allowed to invest abroad with increasing ease as a result of the liberalization of foreign exchange regulations. This, together with the internationalization of Israeli business, has brought about an increase in direct investment abroad from an annual average of \$125 million in 1988-90, to \$722 million in 1991-1994.

The third trend has been a high level of spending on civilian research and development (R&D). At present Israel invests about 2.3% of GDP in R&D, a high level by international standards. In 1991 R&D equaled 2.1% of GDP compared with 3.0% in Japan, 2.7% in Germany and 2.1% in the US. Canada, Italy, the UK and France all spent smaller percentages than Israel.

The employment of skilled manpower, in particular engineers, scientists and technicians, in industry has increased. In 1970-71, 1.91% of all employment in industry consisted of professionals in R&D. In 1975-76 this was 2.38%; in 1990, 4.95% and in 1993, 7.54%. R&D as a share of industrial revenues rose from 0.57% in 1970-71, to 0.62% in 1975-76, and to 1.63% in 1990 and 1.73% in 1993. The figures were higher for the high-tech sectors. In 1993, 10,700 people were employed in industrial R&D. This included 9,800 engineers, scientists and technicians of whom 900 had immigrated since 1990.

Between 1989 and 1994, the Ministry of Immigrant Absorption accepted a total of 10,400 scientific workers for special training programs that the ministry itself organized. 7,500 of them started within that period, 6,100 with the help of the ministry.

This reflects a national recognition of the importance of education (and in particular scientific and technical education) for economic development, something which has been reinforced since 1992. One result is that there are now computers in all compulsory, state kindergartens for five-year olds.

Israel's high technology industries are export industries. The so-called 'advanced industries', which use relatively sophisticated

capital equipment and skilled manpower, (e.g., electronics, metal products, chemicals) have a concentration of R&D. Table 4 shows how the structure of exports changed between 1970-94. In 1970, electrical/electronics exports accounted for 1.6% of total exports; in 1980, 5.2%; in 1990, 14.7%; and in 1994, 19.2%.

Table IV: EXPORTS, BY ECONOMIC BRANCH (in \$ Million)

Economic branch	1970	1980	1990	1993	1994
Grand Total	778.7	5,537.5	12,079.8	14,825.5	17,005.7
<i>Agricultural exports - total</i>	<i>129.6</i>	<i>555.7</i>	<i>656.2</i>	<i>547.4</i>	<i>591.6</i>
Citrus fruit	86.1	231.1	180.5	120.8	126.4
Other	43.5	324.6	475.7	426.6	465.2
<i>Industrial exports - total</i>	<i>638.7</i>	<i>4,955.5</i>	<i>11,058.4</i>	<i>15,844.2</i>	<i>15,844.2</i>
Mining & quarrying	41.8	158.4	269.8	267.6	292.2
Food, beverages & tobacco	63.0	298.1	647.1	551.4	576.8
Textiles	44.4	152.9	232.2	267.3	281.4
Clothing & made-up articles	53.6	313.3	545.1	644.8	716.7
Leather /leather products	3.5	7.2	10.2	17.9	21.5
Wood & its products	9.0	43.2	59.7	59.5	44.7
Paper & its products	2.6	14.8	26.0	36.0	45.7
Printing & publishing	5.3	21.3	28.2	30.8	31.6
Rubber/plastic products	23.5	128.2	368.6	484.1	566.7
Chemical & oil products	60.9	722.6	1,449.7	1,888.0	2,096.2
Non-metallic mineral products	3.0	16.1	24.7	28.6	51.1
Basic metal	7.9	97.4	114.7	80.8	122.6
Metal products	22.1	377.3	691.0	651.1	741.5
Machinery	18.1	91.4	317.4	338.5	606.6
Electrical & electronic equipment	12.8	287.1	1,772.3	2,941.3	3,261.2
Transport equipment	9.1	398.0	596.5	1,030.2	1,088.9
Diamonds, worked-gross	244.6	1,615.1	3,236.1	3,645.1	4,374.6
Thereof: net	202.0	1,409.1	2,783.4	3,013.8	3,553.5
Miscellaneous	13.5	213.1	686.1	861.5	924.2
<i>Other exports - total *</i>	<i>10.4</i>	<i>26.3</i>	<i>338.2</i>	<i>453.6</i>	<i>569.6</i>
Thereof: unworked diamonds	-	-	271.1	398.2	525.6
<i>Returned exports</i>	<i>-45.1</i>	<i>-245.6</i>	<i>-476.7</i>	<i>-742.5</i>	<i>-954.8</i>
Thereof: returned diamonds	42.6	206.0	452.7	687.5	885.7
NET EXPORTS - TOTAL	733.6	5,291.9	11,603.1	14,083.0	15,929.2

*Incl. also industrial goods which were not produced in Israel and were sold abroad

In the winter edition of its publication *International Finance*, the Union Bank of Switzerland (UBS) analyzed international competitiveness. UBS stated that the link between raising living standards and international competitiveness is explained in the recently developed 'endogenous growth theory'. This states that economies develop best when they compete on international markets. By buying resources that they do not possess they can concentrate on the production of goods and services in which they have a comparative advantage. Comparative advantages can be natural resources, skilled labor, cheap labor or even a favorable climate. The fastest growing economies are therefore those that compete most effectively on international markets. They are attractive places to invest in and are quick (or relatively quick) to develop new products; they are also good at adaptation and thus ensuring lower costs. In so doing they create competitive pressures for other producers. Growth is driven by investment but this must be financed by savings either at home or abroad, which is often problematic. The quality of the investment and of the decision making associated with it is vital. The technology incorporated in that investment is another important ingredient in the growth process and here R&D and skilled labor plays an important role.

According to the UBS, Israel is one of the most technologically open countries in the world, after Singapore and Malaysia and before Thailand, China, Switzerland, Korea, Brazil, Japan, Germany, the US, the UK and others. It came 23rd in the UBS list for competitiveness, scoring highly on innovation indices (R&D/GNP, capital goods/imports, export growth) but less well on policy indices (inflation, government consumption/ GNP and real exchange rate).

Having reviewed recent developments in the economy, I would like to take up a number of issues that are often neglected. It is sometimes asserted that the achievements of the economy are not real because Israel receives so much foreign assistance.

'Myths':

1. It is certainly true that Israel receives assistance including grants and other gifts but it should be pointed out that these provide

partial compensation for a very high defense burden. This was estimated at 14.3% of GDP in 1993 if the hidden costs of conscription and the costs of the reserves are included (see *Table 5 below*).

Table 5: Defense Spending in 1996 (Shekels, millions, 1996 prices)

Total defense spending		39,425
From domestic sources		29,737
of which:		
Defense budget in shekels		19,772
Defense budget in dollars		622
Non-budgetary costs		7,510
Shelters and stores	350	
Law for demobilized soldiers		597
Changes in territories		336
From other sources of which:		9,688
Aid in foreign exchange		6,588
Other aid	1,800	
Export revenues		420
Other revenues		900

Although the defense burden has fallen, it remains high at about \$9 billion. If aid from abroad is added to GDP, thus giving a notion of total resources available to the economy, then the share was still 9%. Israel is still paying interest and principal on loans from the US before military aid from the US was converted into grants.

2. The costs of the Arab boycott have mainly been felt via the secondary boycott. This was the boycott of firms in the third countries trading with Israel. It was the most effective part of the boycott because many firms, especially in Europe, were unwilling to trade with Israel. This limited foreign investment in the economy and exports to those firms. By refusing to sell their products in Israel these limited the range of supply and thus caused an increase in prices above the competitive level. Many calculations have been made of the costs of this to the economy, but they are all problematic because they are hypothetical. Despite this, it is clear that the damage was large, even if, as suggested, foreign investment is not a cure-all.

The economy has been able to strengthen itself in two key ways. First, the coverage of imports by exports has improved over a long period, although in recent years it has deteriorated:

Table 6: Exports as a share of imports (%)

1949	11.0
1975	50.4
1980	73.5
1985	73.0
1990	78.0
1994	72.0

Second the burden of debt has been reduced. Table 6 shows that the ratio of debt to GDP fell by over 50% between 1984 and 1994, following a 20% rise in the period 1976-1984. Interest payments on the debt as a share of GDP also declined. Finally, the absolute size of the foreign debt in current dollars (measured here net of foreign assets) rose by 21% between 1982 and 1988 and then fell between 1988 and 1990 by 13%. The rapid growth of the economy since 1990 only resulted in a 17% increase by September 1995. In real terms the foreign debt is now much smaller than it was at its peak in 1984-1985.

Table 7: Total debt in GDP (%)

1976	53.9	1985	73.5
1980	51.7	1990	27.7
1984	79.1	1994	21.7

Interest payments on government debt as share of GDP (%)

	Domestic	Foreign	Total	
1989	3.4	5.3		8.7
1990	3.0	5.0		8.0
1991	2.4	4.8		7.2
1992	2.2	4.3		6.5
1993	2.2	4.3		6.5
1994	2.1	3.9		6.0
1995	1.7	4.2		5.9

Net foreign liabilities (\$m) (End of year)

1982	15,005	1991	16,032
1985	19,213	1992	16,209
1988	18,160	1993	16,826
1989	15,746	1994	17,721
1990	15,824	Sept. 1995	18,466

3. Another cost that is often ignored is that of immigrant absorption. The arrival of hundreds of thousands of immigrants from the former USSR has been a major gain for the economy. It boosted demand (only with government assistance to the immigrants) and increased the supply of labor. Not all the immigrants work however.

Between 1990 and 1994, there were 532,000 immigrants from the former USSR (there were also thousands of others from Ethiopia and elsewhere). A total of 113,400 of the former Soviet immigrants were aged 0-14 years (21.3%). A total of 41,427 were aged 70+(7.8%). This meant that nearly 150,000 (30%) were dependents. The 70+ age group receive Israeli national insurance pensions and are covered by the national health services, part of the welfare state. Many of the working age immigrants have been unemployed and receive state benefits in lieu of earnings and nearly all immigrant families benefit from housing subsidies and other benefits.

Table 1 (*see Appendix*) puts some of this into perspective. It shows that GDP as a percent of total resources increased from 62.6% in 1980 to 67.8% in 1995. This is a current price estimate and is biased upwards by faster inflation in Israel than abroad, the latter being reflected in the import figures. Private consumption rose by 8.6% of total resources while government consumption fell by 5%. Investment rose by 3% but exports fell by 6.5%.

Prospects

The rate of economic growth is expected to slow slightly in the coming years. Relatively high levels of research and development (R&D) coupled with the increased internationalization of the economy, through exports, competition from imports and investment by foreign companies in Israel and Israeli companies abroad, will be positive factors, but a more deflationary policy is expected after the elections in May 1996, designed to improve the balance of payments. Progress in the peace process will also be a crucial factor in maintaining and increasing domestic and foreign optimism and investment. Much will depend on the outcome of general elections to be held during 1996.

Demographic Trends

I would now like to make a few brief comments about demographic trends. The figures presented here show a number of trends. First, between 1994 and 1995 the population increased by 2.5%, which is a very high rate for a developed country (See *Table 8 below*). This was much slower, however, than the average rate of growth for the period 1948-1994. Excluding immigration, the rate of increase between 1994 and 1995 was about 1.3%, which was much faster than that in the European Union, for example. It was similar to the rate of growth in some of the slow population growth countries of Southern Europe.

Second, birth rates have fallen over a long period, but the death rate for the population as a whole has not declined. The immigrant population from the former USSR has a smaller average family size than the average native-born Israeli family and there may be some increase in their family size over time. Given that these immigrants constitute about 12% of the total population (or 15% of the Jewish population) the overall effect will not be large.

The birth rates in the Jewish population fell by the nearly 30% between the period 1955-59 and 1994, that in the Moslem population by 20%, among Christians by nearly 50% and among Druze by 40%. The death rate among the minority communities fell sharply over the same period while that in the Jewish population increased. Since 1960, the Jewish population has grown more slowly than the minority populations. As a result the Jewish share of the total population has declined continuously since 1960, with the exception of 1990 when it rose by 0.4%. This was the result of the exceptionally high level of immigration that occurred during that year.

Table 8: Population by Population Group

	De facto population		De Jure population					
	Average	End of period	Average			At end of period		
			Arabs & Others	Jews	Total	Arabs & Others	Jews	Total
1989	4,587.7	4,651.8	830.1	3,688.1	4,518.2	842.5	3,717.1	4,559.6
1990	4,738.7	4,891.9	857.5	3,802.8	4,660.2	875.1	3,946.7	4,821.7
1991	4,999.1	5,153.6	894.8	4,054.3	4,949.1	914.3	4,144.6	5,058.8
1992	5,215.0	5,328.0	933.7	4,189.8	5,123.5	953.4	4,242.5	5,195.9
1993	5,393.3	5,503.6	972.7	4,288.7	5,261.4	992.5	4,335.2	5,327.6
1994	5,584.8	5,706.9	1,011.3	4,388.0	5,399.3	1,030.4	4,441.1	5,471.5
1995	-	-	1,050.7	4,489.8	5,540.5	1,070.9	4,538.6	5,609.5
1993 III	5,337.2	5,342.7	961.2	4,259.8	5,221.0	962.8	4,263.5	5,226.3
IV	5,360.5	5,378.3	964.2	4,266.9	5,231.2	965.8	4,270.2	5,236.0
V	5,379.8	5,381.3	967.3	4,273.7	5,241.0	968.9	4,277.2	5,246.1
VI	5,387.4	5,393.6	970.4	4,280.7	5,251.1	971.9	4,284.3	5,256.2
VII	5,395.0	5,396.5	973.6	4,288.0	5,261.6	975.3	4,291.7	5,267.0
VIII	5,407.9	5,419.2	977.1	4,296.4	5,273.5	979.0	4,301.1	5,280.1
IX	5,407.3	5,395.3	980.7	4,305.5	5,286.2	982.4	4,309.9	5,292.3
X	5,437.6	5,479.8	984.1	4,314.0	5,298.1	985.8	4,318.2	5,304.0
XI	5,477.7	5,475.7	987.5	4,322.2	5,309.7	989.1	4,326.3	5,315.4
XII	5,489.7	5,503.6	990.8	4,330.7	5,321.5	992.5	4,335.2	5,327.6
1994 I	5,500.8	5,498.1	994.5	4,338.5	5,333.0	996.6	4,341.8	5,338.3
II	5,510.9	5,523.7	998.6	4,344.4	5,343.0	1,005.5	4,347.0	5,347.6
III	5,526.3	5,528.9	1,002.4	4,350.4	5,352.8	1,004.3	4,353.8	5,358.1
IV	5,548.4	5,567.8	1,006.0	4,357.3	5,363.2	1,007.6	4,360.8	5,368.3
V	5,568.1	5,568.4	1,009.7	4,363.9	5,373.5	1,011.7	4,367.0	5,378.7
VI	5,573.7	5,579.0	1,013.2	4,371.4	5,384.6	1,014.6	4,375.8	5,390.5
VII	5,580.6	5,582.2	1,016.2	4,380.6	5,396.8	1,017.7	4,385.5	5,403.2
VIII	5,598.8	5,615.5	1,019.0	4,391.3	5,410.3	1,020.2	4,397.1	5,417.3
IX	5,614.3	5,613.1	1,022.1	4,401.7	5,423.8	1,024.0	4,406.3	5,430.2
X	5,643.8	5,674.6	1,025.2	4,412.3	5,437.5	1,026.5	4,418.3	5,444.8
XI	5,667.9	5,661.1	1,027.3	4,424.3	5,451.6	1,028.0	4,430.4	5,458.4
XII	5,684.0	5,706.9	1,029.2	4,435.8	5,465.0	1,030.4	4,441.1	5,471.5
1995 I	-	-	1,032.1	4,445.1	5,477.2	1,033.7	4,449.1	5,482.8
II	-	-	1,035.2	4,452.1	5,487.3	1,036.6	4,455.1	5,491.7
III	-	-	1,038.2	4,459.0	5,497.2	1,039.8	4,462.9	5,502.7
IV	-	-	1,041.3	4,466.3	5,507.6	1,042.8	4,469.7	5,512.5
V	-	-	1,044.4	4,473.4	5,517.8	1,046.0	4,477.1	5,523.1
VI	-	-	1,047.7	4,480.7	5,528.4	1,049.3	4,484.3	5,533.6
VII	-	-	1,051.0	4,488.1	5,539.1	1,052.7	4,492.0	5,544.7
VIII	-	-	1,054.6	4,496.8	5,551.4	1,056.5	4,501.6	5,558.1
IX	-	-	1,058.4	4,506.4	5,564.8	1,060.3	4,511.1	5,571.5
X	-	-	1,062.1	4,515.7	5,577.9	1,063.9	4,520.3	5,584.3
XI	-	-	1,065.7	4,525.0	5,590.7	1,067.4	4,529.7	5,597.1
XII	-	-	1,069.2	4,534.1	5,603.3	1,070.9	4,538.6	5,609.6
1996 * I	-	-	1,072.6	4,542.3	5,614.9	1,074.3	4,545.9	5,620.3

Source: Monthly Bulletin of Statistics, February 1996 (CBS, Jerusalem)

The share of the population increase due to immigration has fluctuated sharply and has now fallen to about half.

Table 9: Population (end of year, thousands)

8.11.1948	872.7
1950	1,370.1
1960	2,150.4
1970	3,022.1
1980	3,921.7
1985	4,266.2
1986	4,331.3
1987	4,406.5
1988	4,476.8
1989	4,559.6
1990	4,821.7

Table 10: Source of population growth, 1948-1994

Natural increase	2,669.4
Total migration balance	1,951.3
Immigration	2,453.4
Total growth	4,620.7

Annual average rate of growth 4.2%

Migration as share of growth 42.2%

Source of population growth, 1983-1994

Natural increase	879.3
Total migration balance	558.6
Immigration	742.7
Total growth	1,437.9

Annual average rate of growth 2.6%

Migration as share of growth 38.8%

Table 11: Migration as share of growth 1987-1994

1987	8.5%
1990	79.1%
1991	76.5%
1994	52.9%

Table 12: Birth Rates, death rates and natural increase of population, 1950-1994 (per 1,000 of population)

a. Total population

Period	Birth rate	Death rate*	Natural increase
1955-59	27.7	6.2	21.5
1960-64	25.4	6.0	19.4
1965-69	25.4	6.6	18.8
1970-74	27.4	7.1	20.3
1975-79	26.4	6.9	19.5
1980-84	23.9	6.8	16.2
1985-89	22.8	6.6	16.2
1990	22.2	6.2	16.0
1991	21.4	6.3	15.1
1992	21.5	6.5	15.0
1993	21.3	6.3	15.0
1994	21.2	6.2	15.0

b. Jewish population

Period	Birth rate	Death rate*	Natural increase
1950-54	31.0	6.5	24.5
1955-59	25.6	5.9	19.7
1960-64	22.5	5.8	15.8
1965-69	22.5	6.7	17.0
1970-74	24.3	7.3	17.0
1975-79	23.6	7.2	16.4
1980-84	21.8	7.3	14.5
1985-89	20.5	7.2	13.4
1990	19.4	6.8	12.6
1991	18.6	6.9	11.7
1992	18.7	7.2	11.5
1993	18.5	6.9	11.6
1994	18.4	6.9	11.5

c. Moslem population

Period	Birth rate	Death rate*	Natural increase
1955-59	46.3	8.0	38.3
1960-64	51.7	6.4	45.3
1965-69	51.0	6.1	44.9
1970-74	49.5	5.8	43.7
1975-79	44.5	5.0	39.5
1980-84	37.2	3.9	33.3
1985-89	34.9	3.5	31.4
1990	36.8	3.3	33.5
1991	37.1	3.2	33.9
1992	37.0	3.4	33.6
1993	37.5	3.1	34.4
1994	37.1	3.0	34.2

d. Christian population

Period	Birth rate	Death rate*	Natural increase
1955-59	34.4	7.3	27.1
1960-64	34.9	6.9	28.0
1965-69	30.4	5.9	24.5
1970-74	26.9	7.0	19.9
1975-79	24.5	6.3	18.2
1980-84	20.4	5.9	14.5
1985-89	21.5	5.4	16.1
1990	22.2	4.8	17.4
1991	19.9	4.4	15.5
1992	18.9	4.6	14.3
1993	18.5	4.3	14.2
1994	18.7	4.3	14.4

e. Druze population

Period	Birth rate	Death rate*	Natural increase
1955-59	48.0	8.2	39.8
1960-64	46.7	6.8	39.9
1965-69	43.6	5.3	38.3
1970-74	42.7	5.3	37.4
1975-79	41.8	5.0	36.8
1980-84	35.9	4.1	31.8
1985-89	30.8	3.3	27.5
1990	31.0	3.4	27.6
1991	29.1	3.5	25.6
1992	30.5	3.6	26.9
1993	30.3	4.0	26.3
1994	29.2	3.2	26.0

* excluding war deaths

Table 13: Average annual increase in population, 1950-1994

	Total	Jews	Arab & others	of which Moslems
1950-60	4.6	4.7	3.6	3.7
1960-70	3.5	3.1	6.3	7.0
1970-80	2.6	2.4	3.8	4.2
1980-90	2.1	1.9	3.2	3.1
1990-94	3.2	3.0	4.2	3.6
1993-94	2.7	2.4	3.8	4.0

Table 14: Shares in the total population

	<u>Jews</u>	<u>Moslems</u>	<u>Christians</u>	<u>Druze</u>
1950	87.8	8.5	2.6	1.1
1960	88.8	7.7	2.3	1.2
1970	85.4	10.9	2.5	1.2
1980	83.7	12.7	2.3	1.3
1988	81.7	14.2	2.4	1.7
1989	81.5	14.4	2.3	1.8
1990	81.9	14.1	2.4	1.6
1991	81.9	13.9	2.5	1.7
1992	81.6	14.0	2.7	1.7
1993	81.4	14.1	2.8	1.7
1994	81.2	14.3	2.9	1.6

Table 15: Immigration, 1989-1995

1989	25,000
1990	195,600
1991	171,169
1992	70,683
1993	68,715
1994	69,262
1995	65,719

Sources:

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APPENDIX: Table 1: Resources and Use of Resources

	Exports of goods & services	There-of: Fixed capital formation	Gross domestic capital formation	Uses of resources					Private consumption expenditure	Total	Resources		
				General government consumption expenditure				Total			Gross domestic product	Imports of goods and services	Total
				Defense imports (B)	Domes-tic defense consum. (B)	Civilian consum.	Civil and defense (A)						
1980	27.6	13.8	14.3	5.8	8.6	11.2	25.2	32.9	100.0	62.6	37.4	100.0	
1981	26.6	14.0	13.4	6.7	8.8	11.0	26.0	34.0	100.0	62.4	37.6	100.0	
1982	24.3	14.7	15.2	4.3	9.4	11.0	24.3	36.2	100.0	63.6	36.4	100.0	
1983	23.1	15.4	15.9	3.1	9.0	11.2	22.9	38.2	100.0	65.2	34.8	100.0	
1984	26.1	13.4	14.5	4.6	8.8	11.3	24.4	34.9	100.0	64.4	35.6	100.0	
1985	28.2	12.0	12.2	5.4	7.7	10.1	22.9	36.6	100.0	63.2	36.8	100.0	
1986	26.0	11.9	12.5	3.2	7.2	10.2	20.2	41.2	100.0	65.7	34.3	100.0	
1987	25.1	12.7	12.3	5.2	7.2	9.8	21.7	40.9	100.0	63.7	36.3	100.0	
1988	23.8	12.3	12.3	3.8	7.3	10.8	21.5	42.5	100.0	67.6	32.4	100.0	
1989	25.3	11.6	11.8	2.3	7.3	11.2	20.3	42.7	100.0	68.7	31.3	100.0	
1990	23.4	13.1	13.8	2.5	7.1	11.4	20.6	42.3	100.0	68.6	31.4	100.0	
1991	20.6	16.5	17.5	2.8	6.6	11.3	20.3	41.5	100.0	68.8	31.2	100.0	
1992	21.4	16.4	17.2	2.0	6.3	11.6	19.6	41.8	100.0	69.2	30.8	100.0	
1993	22.4	15.4	16.4	2.7	5.5	11.3	19.3	41.8	100.0	67.2	32.8	100.0	
1994	22.1	15.8	16.5	1.7	5.5	11.7	18.8	42.6	100.0	67.4	32.6	100.0	
1995	21.1	16.0	16.8	1.7	5.8	13.2	20.5	41.5	100.0	67.8	32.2	100.0	

(A): Less income from sales of goods and services.

(B): Before deduction of sales of the Defense Ministry.