

## IMPERIALISM STRANGLES PALESTINE ECONOMY

By Meir Vilner

Excerpts from a report, THE ROAD TO FREEDOM, given at the 10th Conference of the Communist Party of Palestine.

**I**N PALESTINE the imperialist government has not prepared any plans for economic development to ensure adequate work and housing and to organize the social services. The country's economic position therefore fluctuates between hope and despair, between the ever-present threat of slump and temporary stability. The government exercises complete control over imports and exports, over economic policy in general. Its attempts to hamper economic development are based largely on article 18 of the Palestine Mandate, which permits economic penetration into Palestine by all countries which are members of the League of Nations. This means employed by the government to arrest economic development include: low import quotas for machinery, obstacles to the import of cheap raw materials and general opposition to the development of a competitive local industry. The government, representing British monopoly interests, is using every means to bring Palestine back to a monocultural economy (citrus).

### British Economic Monopoly

It should be noted that the principal economic arteries (the Dead Sea and electricity concessions, insurance companies, large banks, etc.) are in British hands. Production of electricity is controlled by two British companies. The sale of electric power is growing rapidly: in 1939 sales were 95 million kwh.; in 1944, 187.9 kwh.; and in 1945, 216 million kwh. But we are still far from the degree of electrification prevalent in Europe. On the basis of consumption of electricity per head of the population, consumption is only one-tenth of that of Switzerland, Sweden and Norway. Among the factors impeding this development are the monopolistic character of the utility and the unlimited rights enjoyed by British companies.

The main electric company is the Palestine Electric Corporation, which supplies 92% of the total electricity consumed in Palestine. The Jerusalem Electric and Public Service Corporation, holding concession rights for the Jerusalem district, sells the balance. All electricity sales are therefore in the hands of foreign concessionaires.

The monopolistic position of foreign capital in Palestine is still clearer when

compared with total industrial capital investments. The Palestine Electric Corporation and the Palestine Potash Co. at the Dead Sea may be taken as examples:

	1937 Capital £	Per cent	1943 Capital £	Per cent
Total Industrial investments .....	11,064,000	100%	18,244,000	100%
Palestine Electric Corporation .....	3,701,000	33.5%	5,640,000	31%
Palestine Potash Company .....	806,900	7.3%	1,817,450	10%
Total of the two companies .....	4,507,900	40.8%	7,457,450	41%

(This table is reproduced from Shulamith Mashke's article in *Meshek Shitufi*, May 7, 1946.)

Hence these two great British companies together own approximately 41 per cent of the total capital invested in Palestine industry. The profits of these two foreign monopolies show very fruitful increase: in the last six years the capital of the Palestine Electric Corporation increased by 52 per cent, that of the Palestine Potash Co. by 111 per cent. The capital of the latter has therefore more than doubled in six years.

### Oil Companies' Concessions

Concessions granted to the international oil-combines permit them to lay pipelines across Palestine and to erect refineries, exempt them from all kinds of taxes, and grant rights of sovereignty.

The government does not find it even necessary to ensure that the local population be supplied with cheap oil products. On the contrary, the prices of oil products are very high in Palestine and are constantly rising.

On March 31, 1946 the Palestine Government granted a new concession to an American monopolistic firm, the Trans-Arabian Company. Under the agreement a new pipe-line may be laid from Saudi Arabia to the coast of Palestine in addition to the British line from Iraq. The company is granted extra-territorial rights in Palestine, as though it were a separate government; it is permitted to construct harbors, to lay railroads, to build aerodromes, to maintain its own police-force; it is free to exact taxes for harboring, unloading, etc.

On the other hand, no income tax or tax of any other kind is levied on the company. This new concession like previous ones indicates the economic oppression of the country and the manner in which the Palestine government serves foreign monopolies.

### Obstruction of Industrial Development

It is not enough that the main part of our country's economy is in British hands. The small section remaining to local in-

dustry is also entirely dependent on the British administration and its economic policy.

Among other disabilities local industry suffers from Anglo-American economic rivalry. The Jewish Agency's economic journal, *Palestine Economic News*, for February 1946, published the following instructive statement:

"It is possible to obtain spinning ma-

chines from America, but Government does not allow importation from there, directing manufacture to England. But there—England promises machines by the end of 1946 and 1947. The result is that our textile industry worked during the month of February at only 30-35 per cent of capacity. The chocolate industry remains without chocolate beans. It could obtain the beans direct from the supply sources but this is not permitted. It must turn to London—but there are fresh obstacles. The citrus concentration industry is unable to keep up exports for lack of sugar—and import of sugar is prohibited. The price of imported wheat is still 25 £ per ton, whereas in England the same wheat is imported at 16 £. We are not allowed to import frozen meat from Australia, even though it is offered. When milk powder is offered from Australia at 50 £ per ton, no licenses to import are granted and the importer is obliged to bring his milk powder from the United States of America at 90 £ per ton. Cases of prohibition of import from cheap sources of supply and permission to import from dear sources are too frequent to be mere chance.

"The impression received is that *England is keeping the cheap sources of import for herself*. The British Supply Mission in Cairo does not permit Palestinian importers to compete for cheap supply sources. *England does not permit the import of machinery from the USA*—and the English manufacturers who today work under government direction, are able to supply machinery and other essentials to Palestine only in very restricted quantities. English manufacturers regard Palestine as their assured reserve and prefer sending their goods to markets where American competition threatens. It is difficult for us to obtain raw materials, which are controlled by international trusts managed from London. The policy of these trusts is to allocate raw materials only to those countries from which they do not fear competition within the next few years. Industry and importers are struggling against this bottleneck. . . ."

This is not only an "impression." It is

a well calculated and directed imperialist policy. The Jewish Agency does not draw any fundamental conclusions from this state of affairs. It prefers to cling to its alliance with imperialism and to "induce" Britain to change this policy "in favor of the Jews." This kind of policy is full of dangers for the Yishuv and the whole country. There is no future for Palestine under colonial rule. In the economic field, as in the social, and political fields, the only correct conclusion is: a joint Arab-Jewish struggle against imperialism and the foreign monopoly combines. The economic policy of the government is not open to "inducement" of any kind. Better that the Jewish Agency were aware of the interests of the British monopolies and trusts.

Actually, the result of the government's opposition to an import policy adapted to the interests of the Palestine economy, is to keep the cost of living high and the danger of unemployment ever-present. The present official high cost of living index is still at its wartime peak: 260-270 (as compared with 1939) and 430 in reality.

### Imports and Exports

The total commercial turnover of Palestine is constantly growing. In 1943 it amounted to 40,000,000 £, in 1944 to 51,000,000, and in 1945 to 61,000,000, i.e., it increased 50 per cent in three years. Both imports and exports increased. In 1944 exports totalled 14,600,000 £, and in 1945, 20,400,000. During the same period imports rose from 36.2 million pounds to 40.7 million. This means that trade in 1945 had an unfavorable balance of imports over exports of 20,300,000 £. If we deduct imports of petrol from Iraq and exports of oil products, we get a total import figure of 31,00,000 £ and an export figure of 13,900,000 £ in 1945.

But these figures do not yet show the real situation of imports and exports. A distinction must be made between the material index (i.e., the actual amount manufactured) and the financial index (i.e., the value of imports and exports at present prices).

According to government estimates the material index of imports into Palestine, after deduction of uncut diamonds, came to 55 points in 1944. Although there has been a small increase since 1944, the figure still lags far behind that of 1939 (100).

The diamond industry is an important, and at present the largest single item of export from Palestine. In 1945 diamond exports reached the value of 6,000,000 £, or approximately a third of all exports during that year. The export of oil products constituted about 30 per cent of the total export from Palestine, Dead Sea products, 5-6 per cent.

Mention should also be made of the increased economic influence of the USA in Palestine. Under an agreement reached between the Jewish Agency and the Palestine government the former was permitted to use \$4,000,000 of its Zionist funds in America for equipment for industry and agriculture. Moreover, during the last quarter of 1945 total imports from the USA rose to 33 per cent of average imports from all other countries combined. In November 1945, machinery to the value of \$370,000 reached Palestine from America.

Imports of wheat and cattle from neighboring countries increased considerably. A comparison of imports during the first quarter of 1945 with the first quarter of 1946 (after reduction of crude oil from Iraq, belonging to the British oil-trust) follows: "Imports from Egypt rose from 300,481 £ to 427,107 £; from Syria from 411,415 £ to 768,304 £; from Iraq from 671,772 £ to 844,749 £, and only the official figure of the imports from Transjordan fell from 318,967 £ to 233,162 £; of other commodities 21,000 tons of barley were imported from Iraq this year against

### Palestine Exports (excluding oil products)

	1937-1939 Average	1945	1937-1939 Average	1945
Citrus .....	3,975,050 £	2,085,945 £	74.4%	15.0%
Other Foodstuffs .....	90,002	367,038	1.7	2.6
Processed Foodstuffs .....	255,382	327,298	4.8	2.4
Dead Sea Products .....	322,450	904,953	6.1	6.5
Polished Diamonds .....	—	5,909,297	—	42.6
Other Products .....	674,673	4,260,458	12.7	30.9
Total .....	5,317,557 £	13,854,989 £	100.0%	100.0%

### Influence of Boycott on Industrial Exports

The position of part of the industrial exports is still very unclear and unstable. One of the main contributing factors to this situation is the mutual Jewish-Arab boycott. Exports from Palestine to the Arab countries have been considerably reduced. If we exclude the export of oil products of the Consolidated Refineries on which there is no Arab boycott, since they belong to a British monopoly, we find that exports to Arab countries fell from the last quarter of 1945 to the first quarter of 1946 as follows:

To Syria, from 394,387 £ to 141,391, i.e., by 64 per cent,

To Egypt, from 297,500 £ to 90,404, i.e., by 70 per cent,

To Iraq, from 295,443 £ to 31,780, i.e., by 89 per cent.

Only exports to Transjordan increased from 116,132 £ to 207,026 £.

In three months the total exports to these four Arab countries were reduced by 632,861 £, of total exports of 4,000,000 £ for 1945 (industry, excluding diamonds).

It therefore appears that the Arab boycott is causing substantial damage to the Palestine economy, quite apart from immense political harm. The main industries affected by the boycott are the pharmaceutical and chemical industries. It must be noted that during the same period (the first quarter of 1946) imports from the neighboring Arab countries were not reduced. The reason is that Palestine is dependent on foreign countries for a number of commodities like wheat and cattle.

13,000 during the corresponding quarter in 1945, while 35,000 head of cattle were imported in 1946 as against 500 during 1945. For these two items alone 240,000 £ more were paid than during the quarter of 1945. From Syria 13,500 tons of wheat were imported as against 3,000 tons during 1945, for which 440,000 £ more were paid than during 1945." (*Hameshek Hashitufi*, Aug. 14, 1946.)

These reduced exports to Arab countries in consequence of the boycott were offset to some extent and temporarily by the gain of some new limited markets. "Apart from oil products, exports to Cyprus rose from 59,253 £ to 73,956 £; to Greece from nil to 19,500 £; to South Africa from 969 £ to 103,738 £; to Malta from practically nil to 69,924 £. These four countries alone absorbed 200,000 £ worth of goods more during the first quarter of 1946, than during the same period in 1945." (*Ibid.*)

### Hampers Industrial Development

But industry cannot develop with such unstable markets. Contrary to the opinion of *Hamashkif* and *Haboker*, it is impossible to develop industry independently of Jewish-Arab trade relations. That these new export markets do not present a permanent and secure factor for the future is also admitted by the *Palestine Economic News*, published by the Economic Research Department of the Jewish Agency, in its July 1946, issue:

"The improvement in the export position is a result of the favorable international situation. England and the U.S.A. can at present supply only a small part of the total international requirements,

so that importers are prepared to accept goods delivered at once, even though at higher prices."

It should be added that the export value of 20,000£ to the new countries does not equal even one third of the losses suffered by Palestine industry because of the Arab boycott (over 600,000£ in three months).

In order that Palestine industry may successfully compete in the international market, it must have, apart from favorable political conditions, lower production costs, introduction of modern techniques, cheaper raw materials, and a higher standard of living for the worker so as to increase his purchasing power.

The boycotts by Jewish and Arab economic institutions cause severe hardships to the consumer. This chauvinist struggle raises prices and darkens the political atmosphere in Palestine. "The Association for Palestine Products" (meaning Jewish products) and similar organizations that have recently revived, not only bring no advantages to the Jewish masses, but tend to lower their standard of living still further. The same may be said of the Arab boycott organizations initiated after the second World War, although the Jewish boycott institutions already had a long tradition behind them. The absurdity of it all is, that while both Jewish and Arab reactionaries declare a boycott, both Tel-Aviv and Jaffa shops exhibit a splendid display of goods marked "Made in England." This mutual Jewish-Arab boycott, organized behind the scenes by British agents, benefits only British firms and the British administration in Palestine.

Palestine industry needs an adequate supply of cheap raw materials, modern equipment, machinery and techniques, and above all cooperation with the countries of the Middle East. These needs cannot be met by a program of domination and of regarding the Arab population in this and the neighboring countries as an agricultural hinterland for the marketing of Jewish industrial manufacture, but by accepting the Arabs as partners with equal rights in the economic development and in the struggle against strangling tactics of British companies.

Agriculture require cheap sources of seeds and fertilizers, modern implements and equipment, and an internal market to be expanded by raising the standard of living of the masses. An anti-imperialist economic plan granting the same opportunities to Jews and Arabs, a similar standard of living for both peoples by raising the present standard to a common level, raising wages of Arab and Jewish workers to the same point by establishing the principle of "same pay for same work"—these must be basic planks of any pro-

gram for Arab-Jewish anti-imperialist cooperation in Palestine.

### The Government Budget

In Palestine, the people have no possibility of influencing budgetary expenditure. The 1946-47 budget like all previous ones proves that our country is a police state of the worst possible kind. The bulk of the (mainly indirect) taxes is levied on the masses and expenditure on social services is accordingly very small.

According to the government estimate, income during the fiscal year 1946-47 will be 19,780,000£, expenditure 20,480,000.

#### Main Items of Government Revenue (in thousands of £)

Item	1945-46	1946-47	Per cent of budget 1946-47
Import duty .....	3,825	6,250	31.0
Excise on tobacco....	1,240	1,375	7.0
Excise on beverages	700	700	3.6
Excise on matches..	120	120	0.6
Net income from			
ports & railways..	97	201	1.0
Postage stamps .....	460	550	2.8
Telephones .....	800	800	4.0
Telegraph .....	130	120	0.6

Total of main indirect taxes ..... 7,372 10,116 59.6

These figures show that over one-half of the government revenue is obtained from indirect taxation, the burden of which falls on the masses of the people. When buying household goods, they pay import duties, when buying cigarettes and matches, excise taxes. From year to year taxes grow both relatively and absolutely. In 1945-46, revenue was 18,450,000£, with 40 per cent indirect taxes, while in the 1946-47 budget, indirect taxation amounts to 50 per cent of the total revenue.

We pass on to the taxes affecting largely those classes who can afford to pay them (although even here a considerable part, such as the non-progressive income-tax) is shouldered by the working class.

#### Further Items of Government Revenue (in thousands of £)

Item	1945-46	1946-47	Per cent of budget 1946-47
Income tax .....	3,250	2,750	13.9
Urban property tax..	680	680	3.4
Village property tax	450	575	2.9
Company tax .....	600	550	2.8
Animal tax .....	210	250	1.3
Revenue stamps ...	300	350	1.7
Society registration tax .....	100	125	0.6
Total direct taxes...	5,590	5,280	26.6

From these figures it follows that only a little over a quarter of the government revenue is covered by direct taxation (the remaining quarter derives from payments on land transfers, courts, interest, contribution from the mint, etc.). We need go no farther than these tax figures to show the non-popular character of the colonial government of our country or of the social strata upon which this government leans.

It might be supposed that, if a large part of the revenue is derived from the masses of the people, a large part of the expenditure also will be for their benefit. Nothing of the kind. The colonial administration, extorting huge sums of money from the masses, gives hardly anything in return.

The items of expenditure are usually headed by that for police and prisons, only this year (1946) it is higher than in recent years. Police and prisons are allotted 6,400,000£, which is over 30 per cent of the total budget. This is a record even for the police and military state of Palestine.

With this gigantic expenditure on police and prisons, it is interesting to compare the expenditure on the items such as education and health. These two important items usually constitute only a small part of the expenditure amounting to barely 8 per cent of the total. Like leeches the British authorities stick to the backs of the Arab and Jewish masses and suck their blood. The masses of the people, Jews as well as Arabs, must finance their own oppression.

## LETTER FROM ABROAD

### STATUS OF JEWS IN BULGARIA

JEWS in Fatherland Front (FF) Bulgaria enjoy full freedom and rights. All discrimination introduced against them during the fascist regime has been abolished. The Bulgarian people have always been noted for their tolerance toward all races and creeds. The fascist and nazi racial theories were not only incompre-

hensible to the Bulgarian mind, but were abhorrent to the great majority of Bulgarians. It will forever remain to their credit that they saved the Bulgarian Jews from Hitler's gas-chambers.

When the Germans occupied the country, however, the governing clique, eager to please the nazi masters, enacted a series