

# Economy of Palestine



Bethlehem Market. Photo Flickr.

Since ancient times, Palestinians have been farmers, due to the presence of fertile soil and water. In the **West Bank**, the mountain range stretching from north to south causes rain to fall. However, the water quantity and quality have declined so drastically during the past decades that the river's contribution to agriculture has greatly diminished. In the past, farmers lived in an autarkic society. This changed from the middle of the 19th century as a result of increasing trade relations with Western nations.

This continued during the **British Mandate** (1920-1948). An important development in this period was also the gradual expansion of a parallel economy by Jewish settlers. Their land purchases not only forced land prices to rise but also drove Palestinian lease holders from their land.

During the war in 1948 (the **Nakba**), the Gaza Strip and the West Bank were inundated with a huge

influx of Palestinian **refugees** which the economy could not absorb.

The worsening political situation and growing external and internal **disturbances** have had a direct impact on the Palestinian economy. The current Palestinian economy ranks low among world economies, and it is highly susceptible to instability, despite the availability of human and natural resources and the high productivity of Palestinian society and individuals. According to the **World Bank**, the Palestinian economy falls in the category of “lower-middle-income countries.” The weakness and instability of the Palestinian economy have several causes—political, security, and economic.