PALESTINIAN TERRITORIES

What’s happening in this economy

- The economic situation of the Palestinian Territories is unsustainable and the political situation unstable due to:
  - the geographic, political and economic divide between the West Bank and Gaza
  - lack of progress towards peace (with Israel) and reconciliation (between the West Bank and Gaza)
  - the Palestinian Authority having limited control over macroeconomic and fiscal policy settings
  - restrictions on access and on movement of goods and raw materials, negatively affecting trade and the economy, and keeping investment levels low.

- Financial assistance from the international community has underpinned public and private consumption, but donor aid flows are decreasing
  - World Bank sees the private sector as the only sustainable engine for growth but constraints remain.

- Living standards are declining and unemployment is high.

- Predominantly a service economy, with most employment by small businesses and the public sector.

- Main industrial sectors are small-scale manufacturing, quarrying, textiles, soap, olive wood products (West Bank), and textiles, food processing and furniture (Gaza).

- Agriculture sector is impacted by constraints on trade, movement and access.

- The Palestinian Territories have a young, educated population (38.4% of population is aged 0-14 years; adult literacy rate is 97%; 14% aged above 15 years have completed university education) (2018) [PCBS].

- Labour force participation rate among persons aged 15 and above: 71.6% (male); 19.3% (female) (2016) [PCBS].

- Total Australian aid flows to the Palestinian Territories in 2019-20 are valued at AUD 42.6 million.

Trade, investment, and commercial opportunities and activities

- No reliable data on Australia’s bilateral trade with the PTs, as goods enter via Israel, Jordan or Egypt.

- Australian Sunwhite Rice holds the largest market share of medium grain rice in the Palestinian Territories. The trade is well established and managed through a sole distributor in Israel and the Palestinian Territories. Post engages in promotional activities as needed, but Australian Government intervention is not necessary to facilitate the trade.
• The Palestinian Authority’s Ministry of Agriculture has stated that Australia is the main supplier of frozen lamb to the Palestinian Territories and post (though annual value and volume is difficult to measure), and Post has engaged on ensuring this export continues.

• Main Australian investment in the PTs is through the aid program, particularly the AMENCA 3 market systems development program focused on the agriculture sector.

• Australia offers around ten Australia Awards scholarships a year in the priority areas of public sector management, agriculture, and water/environmental management.

Trade policy and negotiations

• The Palestinian Territories are not a current/prospective FTA partner.

• The Palestinian Authority currently is focusing on diversifying its economic and trade relations, with a particular focus on increasing trade with neighbouring countries (initially Jordan and Iraq).

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