

Beyond the Wall:

The balance between Israeli security concerns and possible Palestinian economic prosperity

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Abstract

A man-made wall not only divides Palestinians from Israelis but also creates a physical division between economic prosperity and poverty. The physical presence of the wall, its implications, what it symbolizes and the myriad of restrictions that go along with it have been an issue between the two peoples since the inception of the wall. While the wall is a physical reminder of this division, the conflict is decades older. Arguably though since the inception of the wall, and the subsequent tighter restrictions on Palestinians, the division between the two sides has become clearer than in decades past. The paper starts by outlining the parallel historical narratives between Israelis and Palestinians, before diving into the intricacies of the conflict in terms of current events, restrictions in the West Bank, their economic impact and Israeli security concerns.

The different chapters of the paper are designed to answer the following questions in order to gain a better understanding of the current situation in the region: How have the economic and social restrictions Israel has implemented in Palestine, specifically the West Bank, affected Palestinian economic prosperity? What were the security concerns that caused Israel to implement these restrictions? Are there middle ground policies that could help improve the lives of Palestinians while ensuring Israeli security concerns are validated?

While the main focus of the paper remains on the economics of the conflict, the final chapter also illustrates more general policy options that could be implemented to create conditions for peace in the region. On top of creating authentic economic development in Palestine, there is also emphasis on creating opportunities for more equal cooperation and communication between Israelis and Palestinians. This is not only inclusive to the upper echelons of government and activists. It is also important for a more equal coexistence to be created on the people-to-people level as it is in people's everyday lives that the conflict can be felt the most.

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Introduction

On March 21st 2019 American President Donald Trump overturned long standing American foreign policy in the Middle East. He declared the Golan Heights (internationally recognized as Syrian territory under Israeli occupation) to be sovereign Israeli territory. This event is yet another twist in the, seemingly, never-ending conflict Israel has with its neighbours over disputed territory.¹ The most contested disputed territory remains between Israel and Palestine, with each side interpreting the conflict within the constructs of their own narratives.

The area of Israel/Palestine has always been a contentious issue for both sides due to the significant religious and territorial importance of the region to both Arabs and Jews. However, the events of 1948 are seen as the modern origins of the Israeli-Palestinian conflict. The adoption of United Nations (UN) Resolution 181 - known as the Partition Plan - would create a snowball effect leading to the *Nakba* for Palestinians and the creation of the State of Israel for the Israelis. Between 1948 and the Six Day War in 1967 there were numerous divisive events, including; Jordan assumed administrative control over the West Bank (1950), the Palestine Liberation Organization (PLO) was created in Cairo (1964) and there were multiple Israeli massacres of Palestinian villages (1956 and 1966).²

The Six Day War in 1967 would be another major turning point in the conflict. On June 5th 1967, after weeks of Egyptian and Syrian military movement on Israel's borders, the Israelis launched a counter air offensive. Over the course of six days Israel would capture the rest of historic Palestine. In addition to the West Bank and Gaza, Israel was also able to capture the Golan Heights and the Egyptian Sinai.³ The capturing of these lands marks the beginning of

¹ Diamond, Jeremy and Jennifer Hansler. 22 March 2019. "Trump says it's time for US to recognize 'Israel's sovereignty over the Golan Heights.'" *CNN News*. Accessed 04/14/19. <https://www.cnn.com/2019/03/21/politics/trump-golan-heights-tweet/index.html>

² "Timeline of Palestine's history." 2015. *Al Jazeera*. Accessed 04/14/19. https://interactive.aljazeera.com/aje/palestineremix/timeline_main.html#tl-1

³ Laron, Guy. 2017. "Chapter 22: Last Days." *The Six Day War: The Breaking of the Middle East*. Yale University Press

Israeli occupation over the Palestinians. Since the conclusion of the Six Day War, occupation policies have been discriminatory towards Palestinians, and have included restrictions on freedom of movement, unequal access to job opportunities and health care, as well as systematic violence.⁴

This research paper looks to address how the occupation's policies have impacted Palestinians living in the West Bank. Specifically, there is emphasis on the economic implications of the occupation. This is done in order to assess how Palestinian economic prosperity has been affected by the conflict and which economic and more general policies could be implemented to help relieve tensions in the region. For the purposes of this paper, economic prosperity is defined as economic growth, illustrated through authentic growth in Palestinian Gross Domestic Product (GDP) with less reliance on international financial support to maintain the economy.

The eight main chapters of this paper will delve deeper into the current situation to gain a better understanding of: How have the economic and social restrictions Israel has implemented in Palestine, specifically the West Bank, affected economic prosperity? What were the security concerns that lead Israel to these restrictions? Are there middle ground policies that could help improve the lives of Palestinian while ensuring Israeli security concerns are validated?

The first two chapters of this paper are particularly important as they set the background of the current situation through both the lens of the Palestinian perspective and Israeli perspective. These two chapters (*Palestinian historical narrative* and *Israeli historical narrative*) are considered to be the parallel introductions for this paper. Each narrative sets out the same divisive events, but told from their respected perspectives. Due to length constraints of this

⁴ "Israel and Occupied Palestinian Territories." 2019. *Amnesty International USA*. Accessed 04/14/19. <https://www.amnestyusa.org/countries/israel-and-occupied-palestinian-territories/>

paper, the two narratives only briefly discuss the major events that have happened over the last century. It is acknowledged that this has resulted in numerous gaps in the timeline.

Chapters three (*Current situation in Israel and Palestine*) and four (*Israeli restrictions in the West Bank*) illustrate the current situation in the region in terms of both overarching themes, recent events and which Israeli restrictions are currently in place in the West Bank. Chapters five (*Economic implications of the restrictions for Palestine*) and six (*International financial support to Palestine*) detail the economic effects of the conflict on the Palestinian economy in terms of lost GDP and employment opportunities, as well as how the 'dog-earing' of financial support to institution building has impacted the conflict.

In chapter seven (*Israeli security concerns*), the paper addresses the reasons why Israel has had to put in place the outlined restrictions in the West Bank. The inclusion of this chapter emphasizes that even though the occupation policies have been detrimental to Palestinians in the West Bank, there are valid security reasons for their implementation. The final main chapter (*Conditions for peace?*) explores possible policy options that would be favorable for both sides and which are feasible in the current climate of the conflict. While the majority of this paper has focused on the economics of the conflict, this final section also explores more general and social policy options.

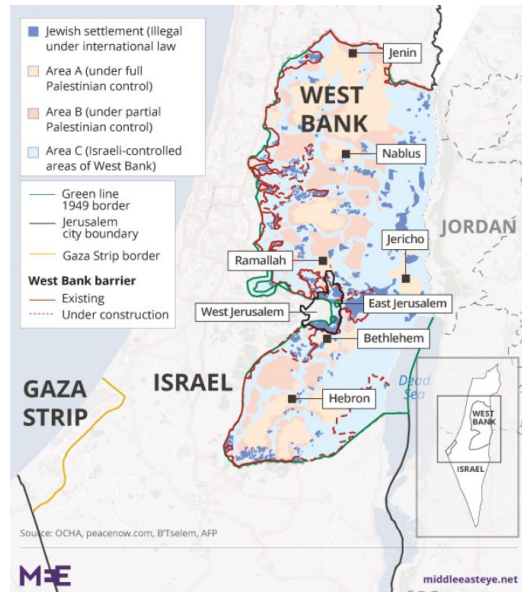


Figure 1: Map of Israel and Palestine as it is currently divided
 Source: Middle East Eye (22 November 2017)

Palestinian historical narrative

George Antonius' *The Arab Awakening* (1938) is a history of events from the pro-Arab perspective. This is an important book in order to better understand the basis for the current Palestinian narrative on the conflict, and why events in the last century were viewed with the lens they were. Antonius states that the premise of the pro-Arab perspective is that the Arabs of Palestine are connected to the land, not just through the seventh century Muslim conquests, but from the Canaanite period. This interpretation is significant because it means that the Arab existence in modern day Israel precedes the invasion of the Hebrews. In other words, Arabs are the true indigenous population to the region and as Antonius warned, fighting over the land would lead to Arab resistance.⁵ This pro-Arab perspective on history remains in Palestine and is vital when analyzing the current Israeli-Palestinian conflict.

⁵ Ilan Troen, S. 2007. "De-Judaizing the Homeland: Academic Politics in Rewriting the History of Palestine." *Israel Affairs* 13 (4): 872-884. Pg 875

The first major event of the last century that was divisive between the Arabs and the Jews occurred during the First World War. As the Entente powers fought to win over the Arabs in the Ottoman Empire, a series of communications materialized between the French, English and the Arab leader, the Sharif of Mecca. These communiques became known as the Hussein-McMahon Correspondence (1916). In 1915 the Arab terms for intervention on the side of the Entente powers were laid out. The July letter to the Entente powers illustrated that Arab intervention in the war was conditional on, what they interpreted, was the guaranteed future Arab self-determination in the region.⁶ Arabs leaders had fixated on the wording of the correspondence, which was written in such a way that they believed that the French and British would create and protect an independent Arab state in the region.⁷ The October 24th 1915 letter to the Sharif of Mecca clearly states the British intentions on this matter: "Great Britain is prepared to recognize and uphold the independence of the Arabs in all the regions lying within the frontiers proposed by the Sharif of Mecca."⁸ This statement gave Arabs false hope for an independent homeland, but as the next chapter will outline, this did not occur, and what actually happened gave the advantage to the Jewish population.

Britain governed over the region between the end of the first war and 1948 as the British Mandate of Palestine. As the Mandate was coming to a close, the UN sought to adopt a viable plan for the region. This became the Partition Plan. In 1947 Arab leadership, those outside of Palestine, rejected the terms of the Plan that would have created separate Jewish and Arab states.⁹ Historian Walid Khalidi argues that the Plan was not as morally fair as it is made out to be. 55 percent of the land was to be given to the Jewish people, while they represented only

⁶ Antonius, George. 1938. "Great Britain's Pledge: 1915." *The Arab Awakening*. Hamish Hamilton: London. Pg 164

⁷ "Pre-State Israel: The Sykes-Picot Agreement (1916)." *Jewish Virtual Library*. Accessed 12/13/18. <https://www.jewishvirtuallibrary.org/the-sykes-picot-agreement-1916>

⁸ Antonius, George. 1938. "Great Britain's Pledge: 1915." *The Arab Awakening*. Hamish Hamilton: London. Pg 170

⁹ Salem, Walid. 2002. "Legitimization or implementation: on the UN partition plan." *Palestine - Israel Journal of Economics, Politics and Culture* 9(4): 7-14. Pg 9

one third of the population in the region at the time.¹⁰ This disparity is cited as one of the reasons why it was rejected by Arab leadership. However, Arab leadership within Palestine took measures to find a solution outside of the parameters of the proposed Plan. Twice before the official creation of Israel in 1948 Palestinian leaders went to the Arab League asking for the creation of a Palestinian government. Both times they were refused. In June 1948, after Israeli statehood was declared, the Arab League decided to create a temporary civil administration in Palestine, the All Palestine Government, which was replaced by the PLO as the representative of the Palestinian peoples in 1964. However, this decision by the Arab League came too late and meant Palestinians were disadvantaged by being stateless.¹¹



Figure 2: UN Partition Plan
Source: BBC News - UN Partition Plan

In the lead up to the creation of Israel, between April to May 1948, 250,000 Palestinians fled the region due to the Israeli Plan Dalet.¹² Before the 1948 *Nakba* (literally meaning catastrophe - the Palestinian term for this period of mass exodus of Arabs from the region),

¹⁰ Podeh, Elie. 2015. "The UN Partition Plan (1947)." *Chances for Peace: Missed Opportunities in the Arab-Israeli Conflict.* University of Texas Press: Austin. Pg 43

¹¹ Ibid, Pg 10.

¹² Bosma, Maap. 2010. "Plan Dalet in the Context of the Contradictions of Zionism." *Holy Land Studies* 9(2): 209-277. Pg 210

Arabs had been the majority in Palestine. With the Arab rejection of the Partition Plan, Jewish leadership forcefully dislodged Palestinians from their communities in order to gain that territory.¹³ Hence, the unrolling of Plan Dalet. The orders for how to unroll Plan Dalet came with methodological descriptions on how to go about evicting Palestinians. Such tactics included: bombing villages, demolishing homes, planting mines to dispel residents from returning to ruined homes and other large scale intimidation tactics.¹⁴ As the Yugoslav case illustrates, ethnic cleansing involves both the deliberate use of force against civilians and the forced movement of these people, including the destruction of their dwelling places.¹⁵ Israel and most of the international community denies that this occurred in 1948 but it is clear from this definition that ethnic cleansing of Arabs did occur. In the span of two months, 531 villages had been destroyed and Palestinians were removed from 11 urban neighborhoods because they were Arabs.¹⁶

The decades long, divisive issue of settlements started after the Six Day War in June 1967. In the aftermath, the United Nations Security Council (UNSC) failed to find that Israel acted as an aggressor in the capturing of these lands. This finding would give Israel the necessary international legitimization tools to remain the occupying force over Palestinian territory.¹⁷ The Security Council had called for a ceasefire rather than a withdrawal of forces from the Occupied Territories, including the West Bank and Gaza. A lesser 'punishment' for the actions of Israel.¹⁸ Today, Israel remains an occupying power in the West Bank even though legally "a state that takes territory while exercising a right of defense may remain only as long as

¹³ Khalidi, Walid. 1988. "Plan Dalet" Master Plan for the Conquest of Palestine." *Journal of Palestinian Studies* 18(1): 4-33. Pg 14

¹⁴ Pappé, Ilan. 2006. "The 1948 Ethnic Cleansing of Palestine." *Journal of Palestine Studies* 36 (1): 6-22. Pg 6

¹⁵ Ibid, pg 7

¹⁶ "The Palestinian Nakba 1948, The Register of Depopulated Localities in Palestine." 2009. *Palestinian Return Center*. Accessed 04/16/19. <https://prc.org.uk/en/post/91>

¹⁷ Quigley, John. 2012. "Permanent Takeover." *The Six-Day War and Israeli Self Defense*. Cambridge University Press: Cambridge. Pg 177

¹⁸ Ibid, Pg 178

necessary to protect against the attack to which it was responding.¹⁹ In this case, the attack being the aggression of the Egyptian and Syrian armies in 1967, which has long since ended, meaning Israel has no legal authority to remain the occupying power over this territory.

Furthermore, shortly after the conclusion of the war, Israel began moving its own citizens into the West Bank as settlers. As an occupying power this action is illegal under Article 49 of the Fourth Geneva Convention.²⁰ Legally, occupations are to be temporary and are not to disrupt the civilian life of the population. Between 1967 and 2017, over half a million Israelis have settled in the West Bank and East Jerusalem, disrupting Palestinian life.²¹ The resulting UNSC Resolution 242 (1967) created after the Six-Day War states that it is necessary for Israel to withdraw from the Occupied Territories. The fact Israel has not withdrawn and continues to increase their settler population remains at the basis of the Palestinian argument that Israel continues to defy international conventions surrounding the conflict.²²

The last divisive issue to be briefly discussed in the introductions of this paper is the Oslo Accords. In the early 1990s the PLO was weakened by Palestinian extremist violence and decreases in international financial and political support.²³ Due to Palestine's weakened status, before the interim arrangements could be signed, Yasser Arafat, the PLO Chairman, had to accept UNSC Resolution 242 (1967). This would be Palestine's formal recognition of the right of Israel to exist, and it renounced Palestinian lead terror and violence in the region.²⁴ From the Palestinian perspective, the Oslo process was not based on "reciprocal recognition of equal or comparable rights." Israel made demands but gave very little in return. The reciprocal right of

¹⁹ Ibid, pg 178

²⁰ Baker, Alan. 2011. "The Settlements Issue: Distorting the Geneva Convention and the Oslo Accords." *Jewish Political Studies Review* 23 (3-4): 32-39. Pg 33

²¹ "Statistics on settlements and settler population." 2019. *B'Tselem*. Accessed 04/16/19.
<https://www.btselem.org/settlements/statistics>

²² Lapidoth, Ruth. 2011. "The Misleading Interpretation of the UN Security Council Resolution 242 (1967)." *Jewish Political Studies Review* 23 (3-4): 7-17. Pg 11

²³ Hassan, Shamir. 2011. "Oslo Accords: The Genesis and Consequences for Palestine." *Social Scientist* 39 (7-8): 65-72. Pg 66

²⁴ Ibid, pg 66

Palestine to exist was never acknowledged. Additionally, none of the agreements under Oslo recognize the West Bank or Gaza as “occupied territories,” a contentious issue for Palestinians. Nor did Israel have to commit to halting any of their illegal activities, such as the settlements.²⁵ Oslo was marketed to bring economic prosperity, yet in the decade succeeding Oslo more Palestinians lived in poverty than the decade preceding it. This is directly correlated to Israel increasing systematic restrictions over Palestinians, which have included trade and movement restrictions.²⁶

Israeli historical narrative

This chapter will illustrate events discussed in the previous chapter, but from the Israeli perspective. To begin, Jewish territorial claim to the region dates back to the Bible, but the more recent phenomenon of Jewish settlement started in the late 19th century (1897) with the formal creation of Zionism - a religious and political movement (deemed necessary due to growing anti-Semitism) to re-establish Israel as being Jewish.²⁷ An estimated thirty thousand Zionist immigrants landed in the region during this time. Due to the sultan’s view that the entire Ottoman Empire be sacred Islamic territory the new settlers were not explicitly forthcoming with their objectives. Private correspondences though indicated that the early settlers planned to reclaim the Land of Israel for the Jewish people after a two-thousand-year absence from their ancestral homeland.²⁸ The acquisition of these lands were not random. From the beginning it was a systematic decision by Zionists to acquire land - along a continuous chain - in order to easily create a Jewish state.²⁹

As stated in the last chapter, the Hussein-McMahon Correspondence was only the beginning of Entente discussions during the First World War about the Middle East. By 1917

²⁵ Ibid, pg 70

²⁶ Ibid, pg 71

²⁷ “Zionism.” 2019. *History*. Accessed 04/16/19. <https://www.history.com/topics/middle-east/zionism>

²⁸ Morris, Benny. 2008. *1948: A History of the First Arab-Israeli War*. Yale University Press: Yale. Pg 3

²⁹ Quigley, John B. 2005. “Origins of the Arab-Zionist Conflict.” *The Case for Palestine: an international law perspective*. Duke University Press: London. Pg 4

Zionism had grown in Western Europe (spread through evangelical's literal interpretation of the Bible dictating Israel as the Jewish homeland) and the project to protect it was solidified with the signing of the Balfour Declaration.³⁰ In the span of a year, the wording, and the objective of what was promised for the region of Palestine had shifted. Instead of the British maintaining their intentions of providing Arabs an independent region, the British had shifted their mentality to create a Jewish national homeland.³¹ The Balfour Declaration stated that Britain “viewed with favour the establishment in Palestine of a national home for the Jewish people.³²” The political bias behind this decision, that ultimately shifted the power in the region to the Jewish population, was imperialist on the part of the British. They desired a buffer, a Jewish homeland, between the Suez Canal in the West and the French influence in the East. The ultimate result being that Zionists now had a strong supporter for their cause, shifting the balance of power in the region back to the Jewish population.³³

On November 29th 1947, when the United Nations General Assembly (UNGA) accepted the Partition Plan,³⁴ Jewish leadership (under David Ben-Gurion) made an early and pragmatic decision to accept the proposed Plan, unlike their Arab counterparts.³⁵ While the larger Jewish community as a whole wished for a larger share of the land, they were aware that they were the minority but currently held the world's sympathy after the horrors of the Holocaust. The Partition

³⁰ Khalidi, Rashid. 2016. “The persistence of the Sykes-Picot frontiers in the Middle East.” *London Review of International Law* 4(2): 347-357. Pg 350

³¹ Rhett, Maryanne A. 2016. “Expectations and entitlement of empire.” *The global history of the Balfour Declaration: a declared nation*. Routledge: New York. Pg 138

³² Quigley, John B. 2005. “Origins of the Arab-Zionist Conflict.” *The Case for Palestine: an international law perspective*. Duke University Press: London. Pg 8

³³ Matthew, William. 2013. “The Balfour Declaration and the Palestine Mandate, 1917-1923: British Imperialist Imperatives.” *British Journal of Middle Eastern Studies* 40(3): 231-250. Pg 243

³⁴ “The Plan of Partition and End of the British Mandate.” *United Nations*. Accessed 12/13/18. <http://www.un.org/Depts/dpi/palestine/ch2.pdf>

³⁵ Tal, David. 2000. “The forgotten war: Jewish-Palestinian strife in mandatory Palestine December 1947-May 1948.” *Israel Affairs* 6 (3-4): 3-21. Pg 9

Plan became a practicable solution for creating a Jewish homeland. Jewish leadership, and the general population, accepted the plan as it afforded them international legitimization.³⁶

After the Arab leadership refused the Plan, Jewish leadership (particularly the Jewish paramilitary organization - Haganah) needed a plan to protect Jews from rising tensions. The objective of the 1948 Plan Dalet, that launched the First Arab-Israeli War, was to “gain control of the areas of the Hebrew state and defend its borders” and to “self defen[d] against invasion by regular or semi-regular forces.³⁷” At its basis, Plan Dalet was defensive in nature. Within these parameters the plan did provide for the clearing of Palestinian villages and the deportation of their inhabitants. The objective of these actions was so that the Jewish population could claim the territory they were to legally be given under the Partition Plan.³⁸ Plan Dalet further involved securing the roads (from a possible imminent Arab attack) that would connect Jewish areas earmarked for the new state to bordering, predominantly Jewish areas.³⁹ While force was considered necessary to achieve these objectives, it was not targeted discrimination, but a means for the Haganah to secure the future of their emerging state, as per the Partition Plan.⁴⁰

While Palestinians see the territorial aftermath of the Six-Day War in 1967 as being in violation of international law, Israel has maintained that the territory of the West Bank is disputed, and that their claim is not considered any less valid than the Palestinians.

As long as the future status of the West Bank is subject to negotiation, Israel's claims to this disputed territory is no less valid than that of the Palestinians. This territory held the cradle of Jewish civilization during biblical times and Jewish communities existed there over thousands of years. Modern-day Israel has deep ties to the many historical sites located in the West Bank. Yet Israel's claim to this territory is based not only on its

³⁶ Ma'Oz, Moshe. 2002. “The UN Partition Resolution of 1947: Why was it not implemented?” *Palestine - Israel Journal of Economics, Politics and Culture* 9(4): 15-23. Pg 17

³⁷ “Text of Plan Dalet (Plan D) 10 March 1948: General Section.” *Mid East Web*. Accessed 12/14/18. <http://www.mideastweb.org/pland.htm>

³⁸ Bosma, Jaap. 2010. “Plan Dalet in the context of the contradictions of Zionism.” *Holy Land Studies* 9(2): 209-227. Pg 219

³⁹ Morris, Benny. 2008. “The Second Stage of the Civil War.” *1948: A history of the First Arab-Israeli War*. Yale University Press. Pg 119

⁴⁰ *Ibid*, pg 120.

ancient ties, religious beliefs and security needs; it is also firmly grounded in international law and custom.⁴¹

Evidence has shown that in 1967 Israeli leadership and the military never made a comprehensive decision to take over the West Bank. The Disputed Territories (What Israel calls the West Bank and Gaza) became a result of multiple political and military decisions that included: counterattacks against Jordanian troops, the encirclement of Jerusalem and the advance and occupation of part of the West Bank to defend against Jordanian troops.⁴² Ezer Weizman, Israeli Defence Force Deputy Chief of Staff during the Six-Day War, stated afterwards that “we could never have fought the war we have for a Jewish state in any other part of the world. Jerusalem, the West Bank of Jordan, indeed the whole of Palestine has a very deep significance for us. It is the basis of Zionism,⁴³” which implied their desire to protect these lands but not occupy them.

The resulting UNSC Resolution 242 (1967) has caused much debate of the role of Israel in the aftermath of the war. Israel emphasizes that Resolution 242 does not fall under Chapter VII of the UN Charter, which deals with the UNSC powers to maintain peace. Since Resolution 242 is not subject to this chapter of the UN Charter it is not enforceable. It is merely a recommendation for the two parties to follow.⁴⁴ Paragraph 1 (i) of the resolution deals with the “withdrawal of Israel armed forces from territories occupied in the recent conflict.” Israel however believes that their withdrawal would occur in conjunction with an established secure boundaries agreement with Palestine. Since this secure boundary has yet to be agreed upon

⁴¹ Quigley, John. 2012. “Permanent Takeover?” *The Six-Day War and Israeli Self-Defense*. Cambridge University Press: Cambridge. Pg 180

⁴² Benjamini, Haim. 1983. “The Six-Day War, Israel 1967: Decisions, coalitions, consequences: A sociological view.” *Journal of Strategic Studies* 6 (3): 64-82. Pg 71

⁴³ Ibid, pg 72

⁴⁴ Lapidoth, Ruth. 2011. “The Misleading interpretation of UN Security Council Resolution 242 (1967)”. *Jewish Political Studies Review* 23 (3-4): 7-17. Pg 9

with Palestine, Israel has therefore not fully withdrawn their forces from the Disputed Territories.⁴⁵

Finally, in 1993 Israeli Prime Minister Yitzhak Rabin commenced formal talks on a peace framework (what would become known as the Oslo Accords) with PLO leader Yasser Arafat. The peace process created political and psychological challenges in Israeli society. In the years succeeding Oslo there was an increase in Israeli fatalities in comparison to the years preceding the peace process. While Palestine maintained that they were (economically) weakened by Oslo, Israel also claims they were weakened in terms of security. This was due to the increase in violent action taken by Palestinian extremists. Such attacks deprived Israel and Israelis of their security and control over the situation. Suicide terrorism became more commonplace within Israeli cities.⁴⁶ In an October 5th 1995 address Rabin stated that “the Palestinians were not in the past and are not today, a threat to the existence of the State of Israel” but that the “murderous terrorism of the radical Islamic terrorist organizations” were the threat. Security by force therefore became the means to which Israel used to protect itself and its citizens from these attacks.⁴⁷

Current situation in Israel and Palestine

On December 23rd, 2016 the UNSC adopted resolution 2334.⁴⁸ This resolution reiterates the fact that the international community continues to believe that Israeli settlement activity in the Occupied Territories is illegal under international law. Israel was angered by the adoption of this resolution as it attacked what members of the ruling coalition within the Knesset call the “heart of the land,” i.e. the settlements in the West Bank. Israel’s reaction puts into context the current situation in the region, particularly the impasse between the Israelis and

⁴⁵ Ibid, pg 11

⁴⁶ Rosler, Nimrod. 2016. “Leadership and Peacemaking: Yitzhak Rabin and the Oslo Accords.” *International Journal of Intercultural Relations* 54: 55-67. Pg 58

⁴⁷ Ibid, Pg 60

⁴⁸ Liel, Alon. 2017. “UN Security Council Resolution 2334: An Important Lease on Life for the Two-State Solution.” *Palestine - Israel Journal of Politics, Economics and Culture* 22(2-3): 78-84. Pg 78

Palestinians on codifying a legal solution to the conflict.⁴⁹ Israel disagreed with the following two lines of the resolution as they directly called out current Israeli practices in the Occupied Territories:

Condemning all measures aimed at altering the demographic composition, character and status of the Palestinian Territory occupied since 1967, including East Jerusalem, including, *inter alia*, the construction and expansion of settlements, transfer of Israeli settlers, confiscation of land, demolition of homes and displacement of Palestinian civilians, in violation of international humanitarian law and relevant resolutions, *Expressing* grave concern that continuing Israeli settlement activities are dangerously imperiling the viability of the two-State solution based on the 1967 lines,⁵⁰

In December 2017 American President Donald Trump created shock waves in the international community as he unilaterally recognized Jerusalem as the capital of Israel.⁵¹ Under international law it remains that the final decision over the status of Jerusalem should be decided by negotiations between Israel and Palestine, rather than a unilateral decision by the United States or Israel. Trump's decision led to UNGA and UNSC motions that branded the capital's move from Tel Aviv to Jerusalem to be null and void.⁵² During the resulting vote, only nine countries came out in support of Trump's decision, many of which depend on American aid. Israel of course also supported the capital's move. 128 other countries condemned America's actions, including Arab and European nations.⁵³

Due to the United States' decision to move the capital, the Palestinian Authority (PA), the recognized government of the Palestinian people, decided to boycott the US-led peace process. Subsequently, in January 2018 the United States reduced their funding to the United Nations Relief and Works Agency for Palestine refugees (UNRWA), with transfers completely

⁴⁹ Ibid, pg 79

⁵⁰ Ibid, pg 82

⁵¹ Sachs, Jeffery D. 2018. "Beyond American Exceptionalism." *A New Foreign Policy*. Columbia University Press: New York. Pg 93.

⁵² Ibid, Pg 101

⁵³ Farrell, Jeff. 22 December 2017. "UN Jerusalem vote list: The 128 countries that didn't back US over their Israel capital decision." *Independent*. Accessed 12/19/18.
<https://www.independent.co.uk/news/world/americas/un-jerusalem-vote-latest-updates-list-countries-voted-against-us-israel-capital-nikki-haley-general-a8124136.html>

stopping in August. It is expected that UNRWA will be short 30% of their budget in the coming year.⁵⁴ One concern is that this move further illustrates the new American policy that is explicitly pro-Israeli, rather than an unbiased mediator between the two sides of the conflict.⁵⁵

Furthermore, with such a large decrease in funding the major concern remains maintaining adequate services and employment for Palestinians. By July 2018, before American funding completely ceased, 267 UNRWA jobs held by Palestinians were cut.⁵⁶ Ultimately, this has led to increased unemployment rates for the most vulnerable Palestinians, i.e. those living in the refugee camps. This cut in funding, and subsequent job loss has meant a decrease in adequate services in the refugee camps. For example, classroom sizes doubling as teaching jobs have been cut.⁵⁷

In late March 2018, mass rallies were organized along the Israel-Gaza border. They were part of a movement demanding that Israel allow the right of return to those who no longer have access to cross over into Israel, the West Bank or to live in parts of Israel they consider as their homeland. Between the rallies start and mid-July 2018, over 150 Palestinians had been killed and a further 15,000 had been wounded by Israeli gunfire. Gaza health officials have noted that the majority of those they treated or pronounced dead had been unarmed Palestinian civilians.⁵⁸

Yesh Din's 2018 case study (January 2017 to March 2018) on Yitzhar (an Israeli settlement south of Nablus) has shed light on Israeli settler violence towards Palestinians in

⁵⁴ "Country Report 4th Quarter 2018 Palestine." 2018. *Country Report Palestine: The Economist Intelligence Unit*. Accessed 12/19/18. Pg 11.

⁵⁵ *Ibid*, pg 12

⁵⁶ Sugiyama, Satoshi. 25 July 2018. "UN Palestinian Agency will trim 267 jobs, citing US funding cut." *The New York Times*. Accessed 06/28/19. <https://www.nytimes.com/2018/07/25/world/middleeast/unrwa-jobs-palestinians.html>

⁵⁷ "UNWRA launches 2019 emergency appeals and budget requirement totaling US \$1.2 billion." 29 January 2019. *UNRWA*. Accessed 06/28/19. <https://www.unrwa.org/newsroom/press-releases/unrwa-launches-2019-emergency-appeals-and-budget-requirement-totaling-us-12>

⁵⁸ "Israel/Palestine: Israel Strikes Hamas Position in Gaza Despite Truce." 23 July 2018. *Asia News Monitor*. Accessed 12/19/18.

neighboring towns. This includes two cases of suspected violence committed by soldiers during the report's timeframe.⁵⁹ Unfortunately, Israel rarely considers violent acts by the Israeli military against Palestinians to be criminal offenses. They are deemed to be acts which aid in protecting the State of Israel and its people.⁶⁰ This negligible enforcement by Israel signals to Palestinians that soldiers have impunity. The violence then is seen to be backed by the state.⁶¹ This is particularly clear in that when Palestinians come forward to police within the West Bank about any form of violence perpetrated against them, law enforcement only identifies the perpetrators or finds sufficient enough evidence to prosecute in 9% of the cases.⁶² After interviews with local Palestinians it was also revealed that "Settlement security coordinators" (CSCs), Israelis with policing powers and armed by the military, also play a role in the violence that takes place. They have been known to disrupt Palestinians in their day-to-day lives, and they have been active participants in violent acts.⁶³

In Amnesty International's 2017/2018 "The State of the World's Human Rights" report they noted that Israel continues to detain Palestinians from the Occupied Territories in Israeli prisons, an illegal act under international law. There are currently over 6,100 Palestinians, 441 of which are administrative detainees, being held in Israeli prisons. 1,500 Palestinian prisoners launched a 41-day hunger strike in April 2018 in opposition to their harsher prison conditions, including longer sentences for minor offences in comparison to their Israeli counterparts.⁶⁴

It was also reported in the 2017/2018 report that the Israeli authorities continue to demolish a large number of Palestinian properties. Within this time frame, 423 homes and

⁵⁹ "Yitzhar- A Case Study: Settler violence as a vehicle for taking over Palestinian land with state and military backing." 2018. *Yesh Din*. Accessed 12/20/18. Pg 23. <https://s3-eu-west-1.amazonaws.com/files.yesh-din.org/2018+yitzhar+case+study/YeshDin+++Yitzhar+-+Eng.pdf>

⁶⁰ Ibid, pg 29.

⁶¹ Ibid, pg 30.

⁶² Ibid, pg 31.

⁶³ Ibid, pg 28.

⁶⁴ "The State of the World's Human Rights." 2018. *Amnesty International Report 2017/18*. Accessed 12/19/18. Pg 209. <https://www.amnesty.org/download/Documents/POL1067002018ENGLISH.PDF>

structures that were built without Israeli permits were demolished. It is important to note that it is virtually impossible for many Palestinians to obtain these permits, which is a reason why they are built illegally under Israeli law. At least 660 people were forcibly evicted from the demolished homes. A further 50 people were evicted from their homes when they were demolished as punishment for alleged family members committing attacks against Israelis. This is part of Israel's collective punishment system, which is illegal under international law.⁶⁵

The UN envoy to the Middle East reported that in the fourth quarter of 2018 there was a record low of Israeli settlement expansion into the West Bank and East Jerusalem. However, between June and August, Israel approved or moved forward with their settlement plans for 2,000 housing units in East Jerusalem, and a further 200 in the exclusively Israeli controlled Area C of the West Bank. All of these Israeli settlement plans in Palestinian territory are illegal under international law and remain a continued obstacle in the peace process.⁶⁶ While this number of new building expansion might seem low, an estimated 600,000 Israelis live in settlements in the Occupied Territories. These citizens live within 127 Israeli Ministry of the Interior recognized settlements, as well as a further 100 illegal outposts and neighborhoods within the West Bank. The settlements cover nearly 10% of the territory within the West Bank, directly disrupting Palestinian life, which remains illegal under international conventions.⁶⁷

During the month of November 2018, the Palestine Red Crescent Society noted numerous incidents of violence against Palestinians. In this 30-day span, 815 Palestinians living in the Gaza Strip were noted as having been injured by Israeli attacks. The three main causes of injury were tear gas (398), live ammunition (139), and rubber bullets (103).⁶⁸ For the same

⁶⁵ Ibid, pg 210.

⁶⁶ Berger, Yotam and Noa Landau. 19 December 2018. "UN: Israeli Construction in West Bank Settlements at a Record Low." *Haaretz*. Accessed 12/19/18. <https://www.haaretz.com/israel-news/un-israeli-construction-in-west-bank-settlements-at-a-record-low-1.6762808>

⁶⁷ "Settlements." 21 June 2018. *B'Tselem*. Accessed 12/20/18. <https://www.btselem.org/settlements>

⁶⁸ "PRCS' Operational Update (1-30/11/2018)." *Palestine Red Crescent Society*. Accessed 01/06/19. Pg 2. <https://www.palestinerics.org/index.php?page=post&pid=25010&catid=4&parentid=11186>

time period in the West Bank, 108 Palestinians were injured. 83 from tear gas, 67 from rubber bullets and 12 from live ammunition.⁶⁹ Rubber bullets are similar to live ammunition except for the fact that they are coated in rubber. The rubber ensures the projectile loses speed rapidly after firing from a weapon. This categorizes rubber bullets as nonlethal. However, as the case in Palestine illustrates, rubber bullets can still cause severe injury, or even death. A contributing factor to this is the firing distance to when it impacts a person. The shorter the distance, the more damage the rubber bullet is likely to cause.⁷⁰

Violence again escalated in Israel and Palestine as 2018 came to a close. The Israeli army announced that Ramallah would be closed as a military zone following a shooting attack against an Israeli east of the city in early December. In the aftermath of this event four Palestinians, all suspects in alleged attacks against Israel, were killed within a 24-hour period. A further 56 Palestinians living in the West Bank and East Jerusalem were arrested. The violence was not only perpetrated by Israeli state employees but also by Israeli settlers. Rocks were thrown at Palestinian vehicles on Route 60, south of Nablus, causing property damage and various injuries.⁷¹

Israeli Restrictions in the West Bank

Since the modern beginning of the Israeli-Palestinian conflict in 1948, Israel has imposed a variety of restrictions over Palestinians, particularly after 1967 and the creation of the Occupied Territories. These restrictions have ranged in severity and across different sectors of society, each with a unique impact on the lives of Palestinians. This chapter illustrates the major restrictions that have been imposed in the West Bank. Understanding the restrictions in place is

⁶⁹ Ibid, pg 3.

⁷⁰ Davis, Nicola. Dec 19 2017. "Rubber and plastic bullets too dangerous for crowd control, study says." *The Guardian*. Accessed 01/06/19. <https://www.theguardian.com/science/2017/dec/19/rubber-and-plastic-bullets-too-dangerous-for-crowd-control-says-study>

⁷¹ "Fourth Palestinian killed as Israel locks down Ramallah." 13 December 2018. *Al Jazeera*. Accessed 12/21/18. <https://www.aljazeera.com/news/middleeast/2018/12/fourth-palestinian-killed-israel-locks-ramallah-181213151509683.html>

an important step in understanding their economic impact, which will be discussed in the next chapter of this paper. This will create a better overall understanding of how economic conditions impact the conflict.⁷²

One of the major restrictions imposed on Palestinians is their freedom of movement. Unlike their Israeli counterparts, they face many physical, institutional and administrative barriers to movement. This has become one of the biggest challenges to independent Palestinian economic growth as it makes trade, investment and simple hiring processes more complex.⁷³ In 2012, the barriers to Palestinian movement in the West Bank included: “59 staff checkpoints and 455 unstaffed impediments to movement, such as roadblocks, gates and trenches.”⁷⁴ Another restriction of movement imposed on Palestinians involves which roads they are allowed to drive on. In the West Bank, Israel has designated 65 kilometers of highway to near exclusive Israeli use. This makes it more difficult for people and goods to reach their destination as they are forced to take slower alternative routes.⁷⁵

Another repercussion of Israel’s restriction of free movement for Palestinians is poor health due to limited access to health care. This has both a social and economic impact. Like in most countries, major hospitals and specialty clinics are located in more densely populated areas of the West Bank. The US State Department has documented how these restrictions on movement have impacted Palestinians seeking health care. In the nine year period between 2002 and 2011 there were 2159 instances where an ambulance was prevented or delayed in

⁷² Miaari, Sami; Zussman, Asaf; and Noam Zussman. 2014. “Employment restrictions and political violence in the Israeli–Palestinian conflict.” *Journal of Economic Behaviour and Organization* 101 (complete): 24-44. Pg 40.

⁷³ “West Bank and Gaza: Area C and the Future of the Palestinian Economy.” Oct 2 2013. *World Bank*. Accessed 01/08/19. Pg 3. <http://documents.worldbank.org/curated/en/137111468329419171/West-Bank-and-Gaza-Area-C-and-the-future-of-the-Palestinian-economy>

⁷⁴ Longo, Matthew; Canetti, Daphna and Nancy Hite-Rubin. 2014. “A Checkpoint Effect? Evidence from a Natural Experiment on Travel Restrictions in the West Bank.” *American Journal of Political Science* 58(4): 1006-1023. Pg 1007.

⁷⁵ Sela, Ronit. 2016. “Freedom of Movement v. Restrictions on Movement under the Two Legal Systems.” *Palestine-Israel Journal of Economics, Politics and Culture* 21 (3): 31-38. Pg 33.

passing through a checkpoint, 194 instances where ambulances were attacked by the Israeli military and 79 instances where emergency response teams were attacked by Israelis.⁷⁶ The continued and systematic restriction of movement not only reduces the quality of medical care, and therefore the overall health of the population, but it also has an impact on the economy. Laborers in poor health are less productive in comparison to their healthier counterparts. Furthermore, this practice is in direct violation of the Fourth Geneva Convention that articulates that an occupying power must provide medical care for those living in the Occupied Territories.⁷⁷

The most prominent restriction on movement is the physical presence of a wall, what Israel has called the Separation Barrier (Palestinians refer to it as the Separation Wall), which runs 460 kilometers through the West Bank and which has yet to be fully completed. The route of the barrier however does not follow the Green Line boundaries decided upon in 1967 after the conclusion of the Six-Day War. This means that there are over 10,000 Palestinians who live in communities trapped between the Green Line and the Separation Barrier, who are required by Israel to obtain permanent residency permits, and renew them every five years, to live on their ancestral lands. A further complication for these residents is that much of the services available to Palestinians reside on the other side of the Separation Barrier, including health care, jobs and education. This means they are required to cross over through designated checkpoints, which are not always open. Another issue with where the Separation Barrier was erected is that it cut off some 150 Palestinian communities from their lands. Their houses remain to the east of the barrier but the lands which were used for agricultural purposes became inaccessible as many of the access gates between the two sides are rarely opened for the free

⁷⁶ Mcneely, Clea; Barber, Brian; Giacaman, Rita; Belli, Robert; and Mahmoud Daher. 2018. “**Long**-Term Health Consequences of Movement Restrictions for Palestinians, 1987–2011.” *American Journal of Public Health* 108 (1): 77-83. Pg 77.

⁷⁷ Ibid, Pg 82.

passage of Palestinians.⁷⁸ The Separation Barrier is justified as a security measure to prevent militant and terrorist attacks on Israelis.⁷⁹ However, it is in violation of the Fourth Geneva Convention. As an occupying power Israel is legally accountable for providing those in the Occupied Territories the right to the freedom of movement.⁸⁰

As noted earlier, access to housing permits and the demolition of houses remains a major problem. The practice of systematically demolishing Palestinian homes is longstanding, dating back to 1948. At its basis, this restriction is denying Palestinians the ability to remain where they currently reside. Thus creating a more homogenous Jewish society in the historic lands of Israel as Palestinians are forced to move.⁸¹ This policy is ultimately carving out the Occupied Territories so that Palestinian sections are diminishing and becoming more impoverished.⁸² For example, in East Jerusalem an average of 150-350 building permits are issued a year for Arab-designated housing units. At the same time, within the municipality 50-100 homes are demolished, with some 15,000 order for demolitions still outstanding. This practice has created a shortage of housing units for Palestinians.⁸³ This has led to a housing crisis as the housing that is available is very expensive and unattainable for most residents, many of who live at or below the poverty line.⁸⁴

⁷⁸ "The Separation Barrier." 11 November 2017. *B'Tselem*. Accessed 01/15/19.

https://www.btselem.org/separation_barrier

⁷⁹ Peteet, Julie Marie. 2017. "Permission to Breathe." *Space and Mobility in Palestine*. Bloomington: Indiana University Press. Pg 35.

⁸⁰ *Ibid*, pg 43.

⁸¹ Halper, Jeff. 2011. "The policy of house demolitions in East Jerusalem: What it is, how it is done and to what end." *Palestine- Israel Journal of Politics, Economics and Culture* 17 (1-2): 74-82. Pg 74.

⁸² Halper, Jeff. 2018. "Obstacles to Peace: A reframing of the Israeli-Palestinian Conflict." *The Israeli Committee Against House Demolitions (ICAHD)*. Accessed 01/14/19. Pg 25. <https://icahd.org/wp-content/uploads/sites/1/2018/07/Obstacles-10-May-2018.pdf>

⁸³ Halper, Jeff. 2011. "The policy of house demolitions in East Jerusalem: What it is, how it is done and to what end." *Palestine- Israel Journal of Politics, Economics and Culture* 17 (1-2): 74-82. Pg 77.

⁸⁴ *Ibid*, Pg 76.

	Applications for permits	Applications approved	Share of approved (%)
1972 ^a	2,199	2,134	97.0
1973 ^a	1,466	1,409	96.1
1988	1,682	532	31.6
1989	1,586	402	25.3
2000	182	5	2.7
2001	167	6	3.6
2002	159	6	3.8
2003	337	3	0.9
2004	250	5	2.0
2005	189	13	6.9
2006	176	43	24.4
2007	314	19	6.1
2008	336	74	22.0
2009	332	6	1.8
2010	444	7	1.6

Notes: The figures for 1972 and 1973 only include construction for housing; additional permits were given for public buildings. The figures for 1972 and 1989 refer to the entire rural sector of the West Bank (but not the Palestinian cities), whereas the figures from 2000 and on refer only to Area C. Figures from 2000 onwards refer to “permits approved in principle” rather than actually approved. The ICA approves building in principle as long as the application satisfies a set of comprehensive prerequisites, but the permit is only issued after fees are paid and documents are brought in to be checked.

Figure 3: Palestinian permits in Rural Areas and Area C
Source: The World Bank 2013 report to the Ad Hoc Liaison Committee

The Palestinian housing crisis is also prevalent in the West Bank where housing permits are scarce and demolitions are rampant. A major reason for the demolition of homes is the invalidity of the Palestinian’s housing permit, which is granted, refused or can be revoked by the Israeli authorities. Other tactics used for the basis of housing demolition include; they were built too near to Israeli-settlements or Israel-only highways, Israel declares the land an agricultural designated area, the land where the house is built is too steep, or for security purposes.⁸⁵ In terms of grand totals, since 1948 when the conflict began, some 140,000 Palestinian homes have been demolished for a variety of reasons. In 1967, four entire villages were bulldozed to create the Canada Park, destroying ancient homes and displacing hundreds of people. During the Second Intifada (2000-2004) 60% of Palestinian homes in the Occupied Territories were

⁸⁵ Halper, Jeff. 2018. “Obstacles to Peace: A reframing of the Israeli-Palestinian Conflict.” *The Israeli Committee Against House Demolitions (ICAHN)*. Accessed 01/14/19. Pg 32. <https://icahd.org/wp-content/uploads/sites/1/2018/07/Obstacles-10-May-2018.pdf>

destroyed in military clearing operations, because they did not have housing permits (making them illegal) or as part of Israel's collective punishment system.⁸⁶ A practice which is in direct violation of Article 53 of the Fourth Geneva Convention which pertains to property rights.⁸⁷

Education for Palestinians in the West Bank is not formally restricted by any Israeli policy like other issues discussed in this chapter, but a combination of practices does create circumstances where children have a diminishing access to adequate education. This is important for this paper as education levels are intrinsically linked to the economy through more productive laborers with more 'white collar' jobs. In 2018, over 225 Palestinian children were injured (from live ammunition, tear gas and rubber bullets) by Israeli soldiers, in or near their West Bank schools. This can become a deterrent for children to go to school due to physical and psychological repercussions of the inflicted violence. Anxiety has been known to manifest in children affected by these incidents, as it distorts their sense of security, which also impacts their ability to concentrate and learn when they do go back to school.⁸⁸ A related issue is that schools and classrooms also fall victim to Israeli housing permits and demolitions. An example of this is the school in Zanouta south of Hebron, which was opened in March 2018, but was demolished overnight in April 2018 by the Israeli military. This unstable environment is not conducive to providing quality education in the West Bank.⁸⁹

Israel has also implemented a banking regime in Palestine that is restrictive and to the disadvantage of Palestinian banks and citizens. The first restriction that Palestinian banks face is that they have to operate through one of the following Israeli banks; Discount Bank or Bank Hapoalim. Palestinian banks need to obtain shekel clearing services from one of these two banks so that they can operate. This is in contrast to Jordanian and Egyptian banks operating in

⁸⁶ Ibid, Pg 31.

⁸⁷ Kremnitzer, Mordechai and Lina Saba-Habesch. 2015. "House Demolitions." *Laws* 4: 216-228. Pg 219.

⁸⁸ "Humanitarian Bulletin: Occupied Palestinian Territory." November 2018. *United Nations Office for the Coordination of Humanitarian Affairs*. Accessed 01/14/18. Pg 10.

https://www.ochaopt.org/sites/default/files/hummonitor_november_2018.pdf

⁸⁹ Ibid, Pg 13.

Palestine who do not have the same requirements imposed on them. In order to access the clearing services, the Palestinian banks need to not only pay the Israeli bank to use the service but they also have to hold large amounts of cash collaterals on hand. The crux of the issue is that on top of this base layer Israel has implemented policy where Palestinian banks are unable to clear large amounts of shekels in a day, meaning they run a short-term deficit, even though they have the necessary cash on hand. This creates a situation where Palestinian banks need short-term loans to pay off their unnecessary debts.⁹⁰

Within the Palestinian Territories, the largest export industry has been mining and quarrying of stone. Yet this sector is still heavily restricted by Israeli authorities. The hardest area hit by these restrictions is Area C of the West Bank (under complete control of Israel). A major contributing issue is again the problem of permits. The last time permits were issued to Palestinian companies in Area C to open new quarries was in 1994. Furthermore, a number of past permits have expired, meaning a diminishing number of quarries are still legally operating in the area.⁹¹ There have been reports of companies who do not have permits, or who's permits have expired, that have continued operating. However, when these quarries are found and closed their equipment is confiscated and they face fines, further hindering this sector's ability to function efficiently and contribute to the economy.⁹²

Another related issue to Palestinian mining is the Dual List. The Dual List of Goods includes civilian items that could be used in a military or violent capacity against Israel. This list includes the production machinery that is prohibited for importation by Palestinian companies, but which is also necessary for quarries to function.⁹³ In stark contrast, Israeli-owned quarries

⁹⁰ "The Costs of the Israeli-Palestinian Conflict." 2015. *The Rand Corporation*. Accessed 01/14/18. Pg 24. https://www.rand.org/content/dam/rand/pubs/research_reports/RR700/RR740-1/RAND_RR740-1.pdf

⁹¹ "West Bank and Gaza - Area C and the future of the Palestinian economy." 2013. *The World Bank*. Accessed 01/22/18. Pg 13. <http://siteresources.worldbank.org/INTMENA/Resources/AreaCReport.pdf>

⁹² *Ibid*, pg 14.

⁹³ *Ibid*, pg 13.

operating in the West Bank face no restrictions. The material that they quarry is transported back to Israel for the sole use of Israelis. This practice is a direct breach of international legal principles (Article 43 of the Hague Regulations) as Israel is exploiting resources within the Occupied Territories for the sole use of themselves, the occupying power.⁹⁴ It is estimated that over 75% of all materials that are quarried in the West Bank are transported back to Israel. This number is higher when only Israeli-owned quarries are considered. 94% of their quarried material in the Occupied Territories is sent back to Israel. This puts Palestine at a disadvantage as the raw materials that are quarried could be used for construction and infrastructure projects in Palestine, which would put money back into the economy by creating jobs and improving services.⁹⁵

Palestinian access to natural resources, outside of mining, is also restricted, specifically within Area C of the West Bank. This is due to the fact that less than 1% of Area C is allocated to Palestinian use, and it remains completely under Israeli military control. It has become nearly impossible for Palestinians to obtain permits to extract natural resources in the area.⁹⁶ This is detrimental to the economy as Palestine would otherwise have access to 607,730 dunumas (equal to 1,000 square meters each) of nature reserves, and 59,016 dunumas of forests within Area C that could be exploited.⁹⁷ On top of this, Palestinian access to the biggest natural resource within the West Bank is also severely restricted, the Dead Sea. Israel has been able to control Palestinian access to this vast natural resource by claiming the bordering land as closed military zones, nature reserves and state lands. These territorial designations completely eliminate Palestinian access to the Dead Sea. There are also further checkpoints and the

⁹⁴ "The Great Drain: Israeli quarries in the West Bank- High Court sanctioned institutionalized theft." 2017. *YeshDin*. Accessed 01/22/19. Pg 6. <https://s3-eu-west-1.amazonaws.com/files.yesh-din.org/%D7%A0%D7%99%D7%99%D7%A8+%D7%A2%D7%9E%D7%93%D7%94+%D7%9E%D7%97%D7%A6%D7%91%D7%95%D7%AA/YeshDin++Leroken+Mitochen++English.pdf>

⁹⁵ *Ibid*, pg 7.

⁹⁶ West Bank and Gaza - Area C and the future of the Palestinian economy." 2013. *The World Bank*. Accessed 01/22/18. Pg 4. <http://siteresources.worldbank.org/INTMENA/Resources/AreaCReport.pdf>

⁹⁷ *Ibid*, Pg 6.

general denial of free movement which restricts Palestinians from reaching the Dead Sea. Furthermore, Palestinian companies have been denied construction permits in Area C for tourism-related activities in the region. This means that Palestine is losing revenue from the lost extraction of natural resources in the area like sea minerals, salt, and trees from the surrounding forests, as well as from the tourism industry.⁹⁸

The practice of Israel exploiting natural resources in the Occupied Territories is illegal under international law, specifically article 55 of the Hague Regulations. Four commercial solar energy fields operate within illegal Israeli settlements in the West Bank. This solar energy profits Israeli settlements while excluding Palestinians from the economic and energy benefits.⁹⁹ The issue of natural resources within the West Bank is of particular importance as under the Fourth Geneva Convention Israel is responsible for providing the necessary resources to support life. When Israel provides electricity, in this case through solar panels, to their settlements but denies the same permits to Palestinians it limits Palestinians' abilities to cook their food and go to work.¹⁰⁰ Access to such natural resources could help alleviate the dire humanitarian and economic situation that is occurring in Palestine, as people would have access to basic necessities with better long-term economic growth.¹⁰¹

Telecommunications is one sector where there have been improvements on Israeli restrictions, but Palestinian companies are still operating at a disadvantage in comparison to their Israeli counterparts. In early 2018, after a 14-year ban, Palestinian companies were

⁹⁸ "Forced population transfer: the case of Palestine. Denial of access to natural resources and services." 2017. *Badil Resource Center*. Accessed 01/22/19. Pg 37-38.

<http://www.badil.org/phocadownloadpap/badil-new/publications/research/working-papers/wp20-DANRS.pdf>

⁹⁹ "The Sun Belongs to Everyone. Israeli Demolitions and Confiscations of Solar Panel Aid Projects in Area C of the West Bank." March 2018. *Al-Haq*. Accessed 12/21/18. Pg 8.

http://www.alhaq.org/publications/publications-index/item/the-sun-belongs-to-everyone?category_id=10

¹⁰⁰ Ibid, pg 7

¹⁰¹ "Forced population transfer: the case of Palestine. Denial of access to natural resources and services." 2017. *Badil Resource Center*. Accessed 01/22/19. Pg 36.

<http://www.badil.org/phocadownloadpap/badil-new/publications/research/working-papers/wp20-DANRS.pdf>

granted access to 3G infrastructure in the West Bank, prior to this they were operating on 2G networks. However, Palestinian companies are still operating at a disadvantage in comparison to Israeli companies, some of which provide service in the West Bank, as they are now offering 4G coverage through towers placed in Israeli settlements. Some Palestinians have chosen to use Israeli telecommunications companies for the better services, taking away business from Palestinian companies. Also, Israeli companies do not pay any taxes or license fees to the PA, even though they are operating in Palestinian territory, further disadvantaging Palestine.¹⁰²

Economic implications of the restrictions for Palestine

Since 2011, there has been a stark decline in the economic prosperity of Palestine. This can be attributed to both the occupation, and the subsequent Israeli imposed restrictions, as well as to cuts in international foreign aid, which will be discussed in the next chapter. In 2018, real growth in the West Bank declined to two percent. This number is lower than previous years, and has been attributed to clashes with Israeli forces and the occupation, as well as the decreased flow of aid.¹⁰³ It is estimated that the development of Area C alone could contribute a 35% increase in the Gross Domestic Product (GDP) of Palestine.¹⁰⁴ It has also been estimated that the opening up of agriculture, exploitation of minerals, stone mining and quarrying, construction, tourism and telecommunications sectors would lead to \$2.2 billion USD in revenue each year.¹⁰⁵

The Palestinian Ministry of Finance and Planning presented to the Ad Hoc Liaison Committee in late 2018 on the fiscal leakages the State of Palestine is facing. Of importance to

¹⁰² "Palestinians to finally get 3G in West Bank, after Israel lifts ban." 15 January 2018. *Haaretz*. Accessed 01/15/19. <https://www.haaretz.com/middle-east-news/palestinians/palestinians-finally-to-get-3g-in-west-bank-after-israel-lifts-ban-1.5730677>

¹⁰³ "Palestinian Territories- April 2019 Economic Update." 2019. *The World Bank*. Accessed 04/28/19. <http://www.worldbank.org/en/country/westbankandgaza/publication/economic-update-april-2019>

¹⁰⁴ "Stopping fiscal leakages: The Government of Palestine's report to the Ad Hoc Liaison committee meeting." 2018. *The State of Palestine*. Accessed 01/23/19. Pg 3. http://www.lacs.ps/documentsShow.aspx?ATT_ID=36702

¹⁰⁵ "West Bank and Gaza: Area C and the Future of the Palestinian Economy." 2013. *The World Bank*. Accessed 01/23/19. Pg viii. <http://siteresources.worldbank.org/INTMENA/Resources/AreaCReport.pdf>

this paper is the estimated \$360 million in lost revenue from Israeli activity in the West Bank and Area C that is not taxed and given back to Palestine. The Paris Protocol had obliged Israel to collect taxes in Palestine, deduct those taxes that were accrued by Israeli income in Area C, and then transfer those funds to the Palestinian Authority. However, in 2000, Israel ceased these taxation practices. For the past 19 years Israeli companies operating in Area C and the West Bank have been profiting from their commercial activity in the region without having to pay any tax back to Palestine.¹⁰⁶ This is the largest lose to the Palestinian economy and is tied into the occupation practices and restrictions that Israel implements.

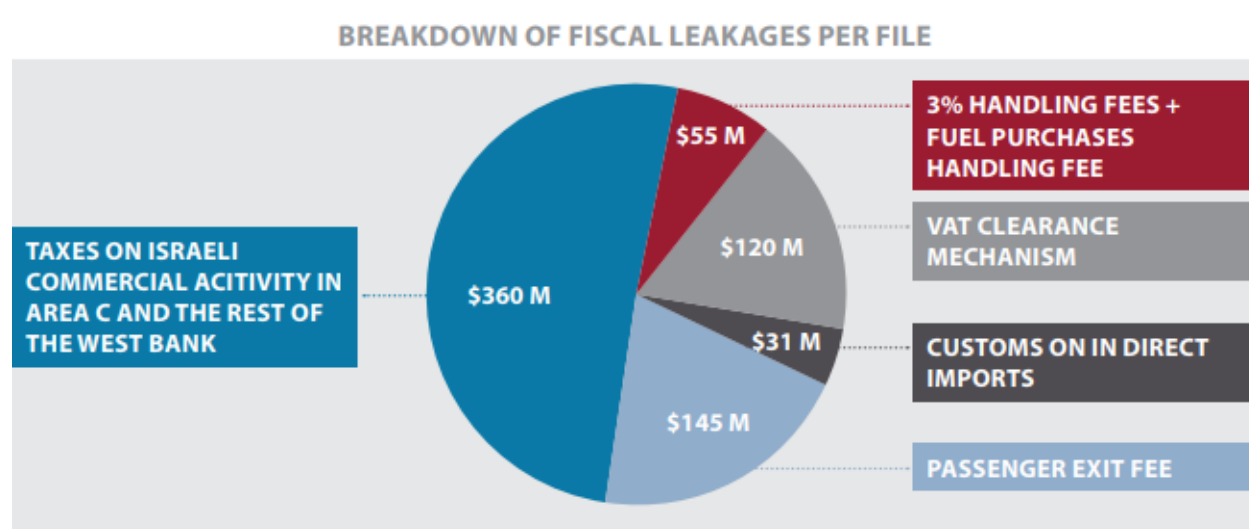


Figure 4: Breakdown of Fiscal Leakages per File
 Source: The State of Palestine, Ministry of Finance and Planning report to the Ad Hoc Liaison Committee

Multiple reports, including those from the World Bank, have concluded that one of the ways to create sustainable growth in Palestine is to help increase the productivity of the private sector. A key policy that would help increase the output of the private sector would involve a relaxation of both the internal and external restrictions that Israel has applied to Palestine.¹⁰⁷

¹⁰⁶ “Stopping fiscal leakages: The Government of Palestine’s report to the Ad Hoc Liaison committee meeting.” 2018. *The State of Palestine*. Accessed 01/23/19. Pg 14. http://www.lacs.ps/documentsShow.aspx?ATT_ID=36702

¹⁰⁷ “Economic monitoring report to the Ad Hoc Liaison Committee.” 2018. *The World Bank*. Accessed 01/23/19. Pg 5. <http://documents.worldbank.org/curated/en/413851537281565349/pdf/129986-REVISED-World-Bank-Sept-2018-AHLC-Report-final.pdf>

This is illustrated by the fact that in Q1 of 2018, the economy of the West Bank saw a 5% growth rate. This growth was concentrated in sectors (wholesale and retail) of the economy that do not have tight restrictions imposed on them. It is important to note that this paper does not touch on the situation in Gaza, where economic conditions have continued to deteriorate with tightening restrictions. This means that while the GDP in the West Bank has seen a slight growth in 2018, the overall GDP of Palestine has decreased.¹⁰⁸

Currently, Israel restricts Palestinian access to the Dead Sea, meaning Palestinian companies do not have access to the abundance of minerals that Israel and Jordan extract from the Dead Sea. Israel and Jordan combined make \$4.2 billion USD annually from their sales of potash and bromine.¹⁰⁹ There remains a strong global demand for these products. With the Dead Sea being an easily exploited resource, there is potential for Palestinian companies to make a significant profit if the Israeli restrictions were reduced or lifted. The World Bank has estimated that the Palestinian economy could make \$918 million USD annually in revenue from this mineral exploitation. This would equate to 9% of the 2011 GDP (2011 was chosen as the comparison as GDP started to decrease after this point).¹¹⁰

The restriction on the freedom of movement and the limited availability of housing permits have led to cramped conditions in the West Bank, specifically within the 1% of Area C that Palestinians can access. Due to the Palestinian inability to move outwards into more open lands, as well as to build new infrastructure within existing communities, the construction industry has suffered. If the tight restrictions, specifically on residential and commercial buildings, were lifted then the construction industry in the West Bank could increase their profit by \$239 million USD a year. This equates to 2% of the 2011 GDP.¹¹¹ The issue of permits not

¹⁰⁸ Ibid, pg 8.

¹⁰⁹ "West Bank and Gaza: Area C and the Future of the Palestinian Economy." 2013. *The World Bank*. Accessed 04/28/19. Pg viii. <http://siteresources.worldbank.org/INTMENA/Resources/AreaCReport.pdf>

¹¹⁰ Ibid, pg 13

¹¹¹ Ibid, pg ix.

only affects housing and the construction of buildings like schools, but also more broadly they apply to the construction of new roads, water reservoirs and waste treatment plants, which would bring in further revenue for Palestine.

Another constraint on Palestinian economic efficiency is the Dual List. This list includes household items like fertilizers, metal, steel pipes, telecommunications equipment, and civilian machinery. These items are banned by Israel for Palestinian importation as they have the potential to be used for more 'military' purposes, such as terrorist attacks on Israeli civilians and infrastructure. This restriction forces Palestinians to use more costly, outdated and therefore less efficient materials. In order to offset these costs some employers have had to reduce employee wages, further affecting the economic prospects of Palestine. It is estimated that this practice costs 5% of annual Palestinian GDP.¹¹²

There has also been a de-agriculturalization and de-industrialization process within Palestine due to the occupation and the restrictive policies that Israel employs. Since 1967, Palestine has lost 60% of their land in the West Bank. Within the land that Israel has annexed with the Separation Wall, Israeli settlements, checkpoints and restriction of movement, Palestine has lost two-thirds of their agriculture land. During this time, Israel has also been extracting Palestine's underground water sources for use in Israel and the settlements. This practice has also greatly affected Palestine's ability to cultivate their land for agricultural purposes. It is estimated that these practices have meant the loss of 110,000 jobs, and annually costs 10% of Palestinian GDP.¹¹³

¹¹² "Report on UNCTAD assistance to the Palestinian people: Developments in the economy of the Occupied Palestinian Territory." 2018. *United National Conference on Trade and Development*. Accessed 01/29/19. Pg 6. https://unctad.org/en/PublicationsLibrary/tdb65_2_d3_en.pdf

¹¹³ "Economic costs of the Israeli occupation for the Palestinian people." 2016. *United Nations General Assembly*. Accessed 01/29/19. Pg 6. https://unctad.org/meetings/en/SessionalDocuments/a71d74_en.pdf

Economic Activity	الربع الأول	الربع الثاني	الربع الثالث	الربع الرابع	2000	الربع الأول	الربع الثاني	الربع الثالث	الربع الرابع	2008	الربع الأول	الربع الثاني	الربع الثالث	الربع الرابع	2016
	Q I	Q II	Q III	Q IV		Q I	Q II	Q III	Q IV		Q I	Q II	Q III	Q IV	
Agriculture and fishing	6.1	7.1	6.9	12.7	8.2	4.2	5.7	4.2	5.7	5.0	3.1	3.1	2.6	2.6	2.9
Mining, manufacturing, electricity and water	17.9	15.5	13.8	17.1	16.0	20.0	18.9	18.1	18.4	18.9	13.8	13.8	14.2	14.3	14.0
Construction	6.0	7.6	7.5	5.2	6.6	3.6	4.5	4.1	3.8	4.0	6.0	5.9	5.6	6.9	6.1
Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles	11.8	12.7	13.7	11.8	12.6	11.2	11.5	11.8	11.0	11.4	19.1	17.9	17.9	16.7	17.9
Transportation and Storage	5.3	5.6	5.9	4.1	5.2	1.7	1.8	2.3	1.8	1.9	2.2	2.2	2.0	2.4	2.2
Financial and Insurance Activities	3.6	3.8	4.1	4.3	4.0	6.1	5.9	5.7	6.4	6.0	4.4	4.4	4.4	4.7	4.5
Information and Communication	5.9	5.4	5.3	5.4	5.5	6.9	7.1	7.9	7.0	7.3	5.3	5.2	5.5	5.3	5.3
Services	23.3	22.8	23.4	22.8	23.1	18.5	19.4	20.4	18.9	19.3	18.8	18.8	19.3	18.9	18.9
Public administration and defense	7.4	7.2	6.5	7.5	7.1	15.9	12.1	10.6	11.3	12.4	10.5	10.7	10.5	10.9	10.6
Households with employed persons	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Table 1: Percentage contribution to GDP in the West Bank by economic activity
Source: Palestinian Central Bureau of Statistics - Quarterly National Accounts

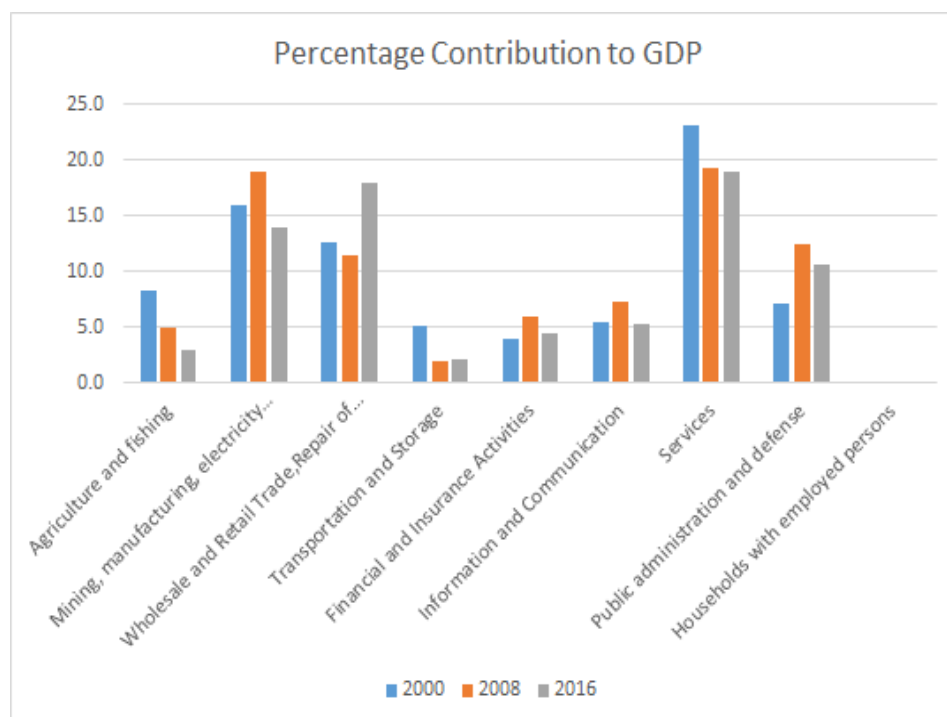


Figure 5: Percentage contribution to GDP in the West Bank by economic activity

As the above figure and table illustrate, the percentage contribution to GDP by economic sector within the West Bank has fluctuated over the 16-year timeline. The three economic sectors that have seen an increase in their percentage contribution to GDP are the wholesale and retail trade, financial and insurance activities, as well as public administration and defense. As noted earlier, wholesale and retail trade has seen an increase in their economic contribution as there are limited restrictions on this sector. Between 2000 and 2016, wholesale and retail trade saw a growth from 12.6% to 17.9%. Financial and insurance activities, and public

administration and defense each saw an increase between 2000 and 2008, but then slightly decreased between 2008 and 2016 to a percentage contribution just slightly higher than their original 2000 levels. Some sectors like mining, increased in 2008, but then dropped below their 2000 levels by 2016. Other sectors like agriculture, saw a steady decrease in their percentage contribution levels between 2000 and 2016.

How each economic sector has fared over the 16-year timeline is a consequence of Israeli economic restrictions.¹¹⁴ For example, the notable decrease in percentage contribution for agriculture could be attributed to the increasingly restrictive policies that Israel has implemented, including the allocation of more land in the West Bank as 'state land' for Israeli use only, as well as restrictions on movement.¹¹⁵ Another example is that real estate activities are included as a subcategory of services. Between 2000 and 2016 real estate activities dropped from 10.3% to 4.6% contribution to GDP. This decrease significantly impacted the decrease in services category. This decrease could be attributed to the increase in Palestinian house demolitions, as well as a decrease in Palestinians obtaining building permits from Israeli authorities.¹¹⁶ The increase in percentage contributions leading up to 2008 and then the subsequent decrease in some economic sectors afterwards can also be traced back to the Gaza War which started on December 27th 2008. In the aftermath of the war, Israel imposed numerous blockades and closures, including more restrictive economic policies towards Palestine.¹¹⁷

¹¹⁴ "Quarterly national accounts variables in Palestine." 2017. *Palestinian Central Bureau of Statistics*. Accessed 01/30/19. http://www.pcbs.gov.ps/Portals/Rainbow/Documents/E.QNA_Constant.html

¹¹⁵ "99.8% of state lands in the West Bank were given to Israelis." 2018. *Peace Now*. Accessed 01/30/19. <http://peacenow.org.il/wp-content/uploads/2018/07/Lands-Allocated-to-Palestinians-1.pdf>

¹¹⁶ "Quarterly national accounts variables in Palestine." 2017. *Palestinian Central Bureau of Statistics*. Accessed 01/30/19. http://www.pcbs.gov.ps/Portals/Rainbow/Documents/E.QNA_Constant.html

¹¹⁷ "The Palestinian economy: Macroeconomic and trade policymaking under occupation." 2012. *United Nations Conference on Trade and Development*. Accessed 01/30/19. Pg 4. https://unctad.org/en/PublicationsLibrary/gdsapp2011d1_en.pdf

Growing unemployment rates in Palestine are also directly related to the economic restrictions Israel employs. These restrictions limit Palestinians' ability to obtain and maintain their jobs over extended periods of time due to the lack of job opportunities and administrative barriers. In 2017, the working age population (those aged 15 and above) in Palestine grew by close to 95,000, while the labour force (those employed or seeking employment) grew by only 33,000.¹¹⁸ This means that only $\frac{1}{3}$ of the working age population joined the labour force. Another troubling statistic is that 18.2% of youth who are unemployed in the West Bank have been that way for over a year. This number is linked back to conflict conditions, particularly the restriction on movement and continued violence.¹¹⁹ What has increased though is the number of Palestinians who have taken jobs in Israel or the settlements, due to more accessible work permits (only granted after they have met Israeli requirements of being married and have children). There was an 11% increase in 2017, bringing the number of workers in Israel to 131,000.¹²⁰

The above labour force and employment numbers take into account both the situation in the West Bank and Gaza. The employment situation in the West Bank is slightly better off than Gaza and saw an increase in 6000 jobs between 2016 and 2017 (a growth from 574,000 to 582,000).¹²¹ However, unemployment rates in the West Bank remains a major issue. At the end

¹¹⁸ "The situation of workers in the Occupied Arab Territories." 2018. *International Labour Conference*. Accessed 02/05/19. Pg 10. https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_629263.pdf

¹¹⁹ "The Occupied Palestinian Territory: An employment diagnostic study." 2018. *International Labour Organization*. Accessed 02/08/19. Pg 12. https://www.un.org/unispal/wp-content/uploads/2018/04/ILOSTUDY_040418.pdf

¹²⁰ "The situation of workers in the Occupied Arab Territories." 2018. *International Labour Conference*. Accessed 02/05/19. Pg 5. https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_629263.pdf

¹²¹ Ibid, pg 10.

of 2017, unemployment in the West Bank stood at 18%. When the under 30 age group was isolated this number jumped to a staggering 40%.¹²²

Sex and Governorate	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Both sexes																
Jenin	16.4	36.7	44.6	35.0	28.3	25.1	23.0	18.9	22.6	18.8	15.4	13.5	15.0	18.9	16.2	16.1
Tubas	15.7	30.4	39.1	24.5	21.7	20.0	19.5	20.0	16.8	13.3	11.8	15.0	15.6	16.0	15.5	18.1
Tulkarm	16.5	20.5	23.5	24.5	22.1	21.7	21.8	20.4	22.4	21.8	22.3	22.2	27.7	16.5	13.5	17.8
Nablus	11.1	22.7	29.2	25.4	20.5	17.9	17.5	15.5	15.6	12.9	13.7	14.8	14.6	14.6	17.6	17.0
Qalqiliya	17.5	32.3	26.9	22.5	21.9	20.7	16.3	16.3	23.4	23.4	19.8	21.8	21.5	13.8	12.6	13.2
Salfit	17.8	40.4	28.8	23.0	18.8	21.2	17.4	18.8	19.3	15.7	15.2	16.0	17.9	19.3	18.6	15.4
Ramallah & Al-Bireh	9.5	25.8	25.7	20.3	19.8	15.6	16.2	16.0	17.1	17.1	16.1	16.4	17.4	16.3	14.6	19.7
Jericho & AL Aghwar	7.2	11.1	10.8	9.3	12.8	13.1	14.4	9.7	9.8	8.0	12.7	13.3	18.4	15.6	17.9	14.5
Jerusalem	11.7	15.9	28.6	23.0	23.7	17.5	13.9	14.4	12.2	11.8	11.9	13.2	17.8	17.6	19.0	13.9
Bethlehem	9.6	11.2	20.3	18.1	20.9	13.4	13.7	17.4	20.9	20.2	21.2	19.2	20.2	20.8	20.6	13.7
Hebron	10.5	15.8	26.3	22.0	25.1	25.9	23.1	22.1	25.9	22.5	21.4	21.0	22.3	23.9	20.6	19.6
North Gaza	16.3	34.7	36.9	27.6	36.6	33.6	39.0	31.5	39.2	36.6	35.8	28.5	32.8	32.0	42.0	41.7
Gaza	17.5	32.4	36.1	27.7	32.7	26.7	33.2	25.1	38.3	34.4	34.5	26.4	28.3	29.5	40.0	36.5
Dier Al-Balah	22.5	34.1	39.8	31.4	36.8	35.0	34.9	32.3	42.7	35.2	39.0	26.1	30.7	31.0	49.7	48.0
Khanyunis	20.4	36.2	38.3	31.9	38.2	31.1	36.0	34.3	46.9	49.3	44.7	32.0	33.0	36.3	46.4	42.5
Rafah	19.3	34.4	40.9	28.1	35.1	29.0	30.1	28.5	35.7	38.4	36.4	33.0	32.8	37.5	45.4	41.6
Total	14.3	25.3	31.2	25.5	26.8	23.5	23.7	21.7	26.6	24.5	23.7	20.9	23.0	23.4	26.9	25.9

Table 2: Unemployment Rate Among labour Force Participants of Persons Aged 15 Years and Above in Palestine by Sex and Governorate, 2000-2015
Source: Palestinian Central Bureau of Statistics - Unemployment

The above table illustrates the rates of unemployment in Palestine over a 15-year period, and further breaks it down by governorate. For the purpose of this paper the governorates in Gaza will be excluded (North Gaza, Gaza, Dier Al-Balah, Khanyunis and Rafah), but it is also important to state that it is within these governorates that have the highest unemployment rates in Palestine. Concerning the West Bank though, the unemployment rate in 2015 was 16.3%. This number was calculated by adding up all of the unemployment rates of the governorates in the West Bank and then dividing by 11, being the total number of governorates. The 2015 unemployment rate was slightly down from the 2009 unemployment rates, which

¹²² Khoury, Jack. March 15 2017. "Standard of living in the West Bank dropping for the first time in years, World Bank warns." *Haaretz*. Accessed 02/05/19. <https://www.haaretz.com/middle-east-news/.premium-world-bank-report-standard-of-living-in-the-west-bank-is-dropping-1.5908617>

stood at 16.9%. However, both these numbers are up from the 13% unemployment rate in 2000. Again, the overall growth of unemployment rates since 2000 is an outcome of the progressively more restrictive policies Israel has implemented. The slight spike in 2009 can also be attributed to the increased blockades Israel employed in the aftermath of the Gaza War that also impacted the West Bank. The higher unemployment number also means that these citizens are less likely to be contributing back into the economy through their taxes and purchases of goods and services as they have less expendable income. This then becomes a cycle. Increased Israeli restrictions lead to an increase in unemployment rates which in turn leads to a decrease in expendable income for numerous households which ultimately means a decrease in Palestinian GDP growth.¹²³

As briefly noted above, unemployment amongst youth in the West Bank sits at 18.2%. For post-secondary school graduates this number sits at 25.2%. A study done following the transition from school to work actually discovered that with each higher level of education a person achieved, their rate of unemployment also increased. Graduates who studied teaching fared the worst, while those who studied personal services and law saw the lowest rates of unemployment after graduation. For female post-secondary graduates their unemployment rate was on average double that of their male counterparts. This number was also independent of if females had graduated with more traditionally 'female' degrees versus the STEM field. Teaching has been seen as a more female dominated field, and yet in 2016 men only had a 21.5% unemployment rate in comparison to the 55.9% of recent women graduates in this field.¹²⁴

¹²³ "Unemployment rate among labour force participants of persons aged 15 and above in Palestine by sex and governorate, 2000-2015." 2016. *Palestinian Central Bureau of Statistics*. Accessed 02/05/19. http://www.pcbs.gov.ps/Portals/_Rainbow/Documents/unemployment-2015-01e.htm

¹²⁴ "The situation of workers in the Occupied Arab Territories." 2018. *International Labour Conference*. Accessed 02/05/19. Pg 43. https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_629263.pdf

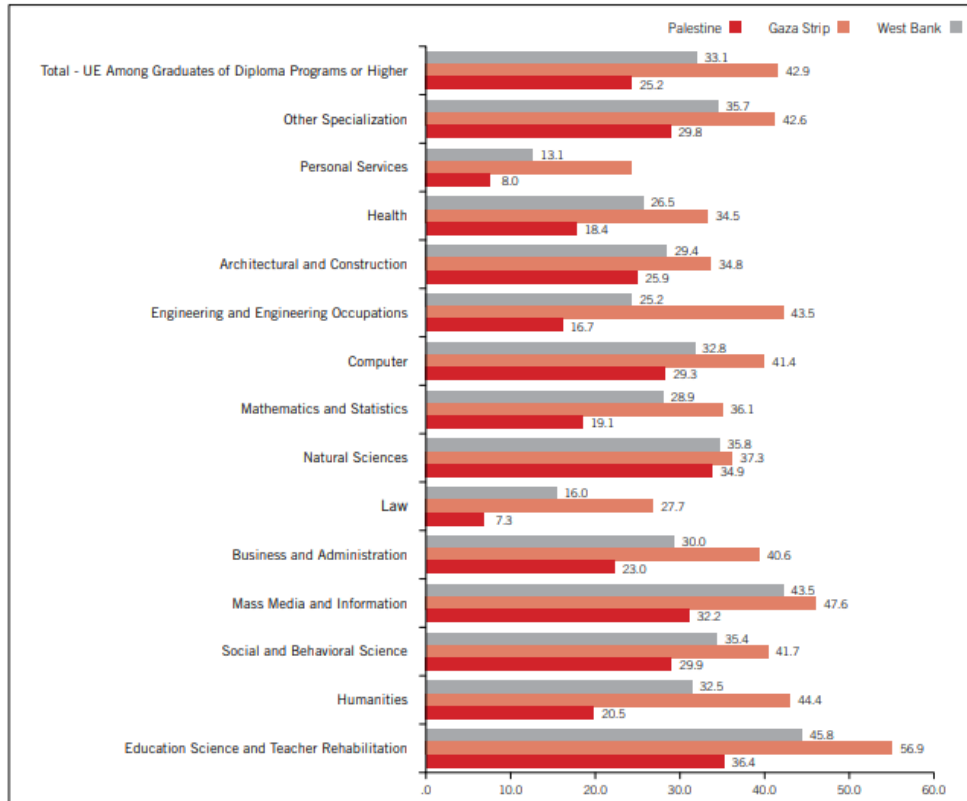


Figure 6: Unemployment rate for graduates who hold an associate diploma certificate or above in by specialization and region, 2016
 Source: International Labour Organization

Access to education within Palestinian is already restricted by issues with freedom of movement, building permits and violence related to the conflict. The high unemployment rates for recent graduates in the West Bank is not a secret in the region. The poor job opportunities caused by Israel's restrictive policies under the occupation is unfortunately leading to a decrease in societal support for long-term education. This has led to 28.2% of youth in both the West Bank and Gaza to either leave school before completing their basic education, or directly afterwards. The continuation of this practice will create a downward economic spiral for both the individuals as well as Palestine more broadly, as it causes a devaluation of the importance of education. In the short-term context of the conflict, leaving education early in order to find a job, even if it is lower-paying, makes economic sense. But if this practice continues it could lead to an elimination of higher paying jobs as people are underqualified, limiting individuals'

expendable income and ability to contribute to the economy. This practice could also lead to a government shift of focus on economic sectors of lower producing revenue because that is where the jobs are, but which in the long term could negatively impact GDP growth as higher revenue sectors could dry up without government support.¹²⁵

Total Value of Imports, Exports in Goods, Net Balance and Trade Transactions Volume in Palestine*, 1996 - 2017				
Value in Thousand USD				القيمة بالآلاف دولار أمريكي
إجمالي قيمة الواردات	إجمالي قيمة الصادرات	صافي الميزان التجاري	حجم التبادل التجاري	السنة
Total Value of Imports	Total Value of Exports	Net Trade Balance	Trade Transactions Volume	Year
2,382,807	400,857	-1,981,950	2,783,664	2000
2,033,647	290,349	-1,743,298	2,323,996	2001
1,515,608	240,867	-1,274,741	1,756,475	2002
1,800,268	279,680	-1,520,588	2,079,948	2003
2,373,248	312,688	-2,060,560	2,685,936	2004
2,667,592	335,443	-2,332,149	3,003,035	2005
2,758,726	366,709	-2,392,017	3,125,435	2006
3,284,035	512,979	-2,771,056	3,797,014	**2007
3,466,168	558,446	-2,907,722	4,024,614	2008
3,600,785	518,355	-3,082,430	4,119,140	2009
3,958,512	575,513	-3,382,999	4,534,025	2010
4,373,647	745,661	-3,627,986	5,119,308	**2011
4,697,356	782,369	-3,914,987	5,479,725	2012
5,163,897	900,618	-4,263,280	6,064,515	2013
5,683,199	943,717	-4,739,482	6,626,917	2014
5,225,467	957,811	-4,267,656	6,183,278	2015
5,363,768	926,499	-4,437,269	6,290,267	2016
5,853,850	1,064,884	-4,788,966	6,918,734	2017

Table 3: Total value of imports, exports in goods, net balance and trade transactions volume in Palestine

Source: Palestinian Central Bureau of Statistics - Foreign Trade

Another repercussion of the current restrictive Israeli policies which has a detrimental impact on the economy is the negative trade balance, otherwise referred to as a trade deficit. A trade deficit can lead to further economic inefficiencies in Palestine as Palestine is importing more than they are exporting, which itself also leads to fewer job opportunities in Palestine. Again, note that these numbers take into account both the import and export of goods from the West Bank and Gaza as the statistics are consolidated by the Palestinian Central Bureau of Statistics. These statistics however still paint a picture of the situation in the West Bank, with an increasing trade deficit over the past 17 years. Palestinian exports have more than doubled

¹²⁵ Ibid, pg 64.

within the timeframe of the table, but the negative trade balance has also more than doubled. In 2000 the trade balance was -\$1,981,950 USD and in 2017 it stood at -\$4,788,966 USD.¹²⁶

It is also important to take into account what Israel has said on the economic situation in Palestine. Since the signing of the Oslo Accords, and the transfer of the Palestinian economy from Israeli control to that of the PA, Israel has maintained that a major contributing factor of the dire economic situation is due to PA corruption. Israel has alleged that millions of dollars of international financial aid has been embezzled and mismanaged, rather than being put back into services and paying off Palestinian debt. Many Palestinians also hold this negative view of the PA.¹²⁷

There is truth in Israel's argument. Palestinian leadership (both political and within private sector companies) have contributed to the dire economic situation in Palestine through corrupt practices and mismanagement of funds. For example, there is a recent corruption case before the Anti-Corruption Court in Palestine in regards to The General Federation of Palestinian Trade Unions. Individuals involved with the case have been charged with paying individuals without legal jurisdiction, hiding money and providing discounts to certain individuals. Multiple currencies were used by the individuals to hide their illegal dealings, but over three million Israeli shekels are involved in this corruption case.¹²⁸ In terms of mismanagement of funds, the PA has used funds allocated by the World Bank for the Coastal Water Authority in Gaza to build water tanks for their own management use, rather than for people in Gaza.¹²⁹ It is unknown how much corruption, mismanagement and embezzlement has occurred, and

¹²⁶ "Total Value of Registered Palestinian* Imports, Exports, in Goods and Services, Net Balance and Trade Transaction, 2017." 2018. *Palestinian Central Bureau of Statistics*. Accessed 02/05/19.

http://www.pcbs.gov.ps/Portals/Rainbow/Documents/Annual%20Statistics%20Goods_E%202017.htm

¹²⁷ Samhour, Mohammed. 2018. "Oslo Process and the Palestinian Economy: Promises vs Realities." *Palestine - Israel Journal of Politics, Economics and Culture* 23 (2 / 3): 16-22. Pg 21.

¹²⁸ "Integrity and Combating Corruption: Tenth Annual Report." 2017. *Aman - Palestine*. Accessed 04/29/19. Pg 59. <https://www.aman-palestine.org/data/itemfiles/902b911598cf1e87515378f025379b30.pdf>

¹²⁹ Ibid, pg 60.

therefore the impact this has had on the economic situation in Palestine is also unknown. However, Palestinians have ranked PA corruption as the second largest issue they face after the economic crisis. This ranks above the occupation, and therefore needs to be taken into account when considering future policies on how to deal with the crumbling economic situation.¹³⁰

International financial support to Palestine

Over the past number of years international financial support to the PA has been declining and has not been used to its full potential. This is the second contributing factor to the poor economic situation in Palestine, and also a contributing factor in the ongoing conflict. In 2017, budget support from donors to Palestine dropped 10.5% from the previous year. Support came in at \$720 million in 2017, which is a stark decline from the \$2 billion that was donated in 2008. These significant cuts in foreign aid further decrease the PA's ability to govern and provide necessary services to its citizens as the PA has long been dependent on international support.¹³¹

A more dire situation is painted when one considers that between 2014 and the beginning of 2018, international aid to the PA dropped by more than 40%. In 2017, only half of the planned (and needed) budget for the Humanitarian Response Fund was provided by donor states. Furthermore, UNRWA was short \$300 million USD in funding. These decreases in international aid have an effect on both the services that these international organizations provide to those in Palestine, as well as to the labour market as some of the funding is used to create job opportunities in the region.¹³² Of particular concern with the funding cuts is the

¹³⁰ Fatafta, Marwa. 12/20/18. "Neopatrimonialism, corruption, Palestinian Authority: pathways to real reform." *Ma'an News Agency*. Accessed 02/13/19. <https://www.maannews.com/Content.aspx?id=782140>

¹³¹ "Report on UNCTAD assistance to the Palestinian people: Developments in the economy of the Occupied Palestinian Territory." 2018. *United National Conference on Trade and Development*. Accessed 01/29/19. Pg 3. https://unctad.org/en/PublicationsLibrary/tdb65_2_d3_en.pdf

¹³² "The situation of workers in the Occupied Arab Territories." 2018. *International Labour Conference*. Accessed 02/05/19. Pg 5. https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_629263.pdf

humanitarian situation in Gaza and how might the situation deteriorate as incoming aid decreases. In the West Bank the concern is that decreased foreign aid could undermine the stability that has been created as funding for necessary services will decrease.¹³³

Foreign aid is also essential in closing the gap between the budget deficit and the ability to provide all the necessary services. The PA has traditionally used the influx of foreign aid to reduce the budget deficit, but with decreasing aid packages this has presented a problem on how to keep the economy afloat. Government spending has contributed to economic growth in Palestine, but that alone is unable to sustain the economy. The below figure illustrates that the PA was only able to balance the budget, with the help of aid, in three years of the illustrated decade timeframe.¹³⁴

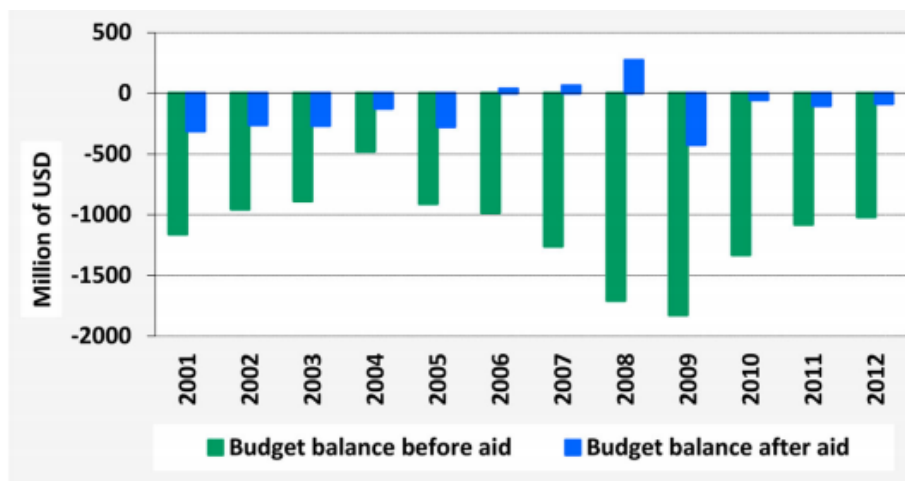


Figure 7: Palestinian Authority budget deficit
Source: Sarsour and Dombrecht 2016

While the decreases in aid is concerning in the short term, Palestine has received an estimated \$27 billion USD since the onset of Oslo. This aid package was created to build the economy and create a democratic state. And yet in the long run, the Palestinian economy is still

¹³³ "US Foreign Aid to the Palestinians." 2018. *Congressional Research Service*. Accessed 02/13/19. Pg 11. <https://fas.org/sgp/crs/mideast/RS22967.pdf>

¹³⁴ Sarsour, Shaker and Michel Dombrecht. 2016. "Competitiveness assessment of the Palestinian economy: a long perspective." *Middle East Development Journal* 8(1): 65-83. Pg 66.

as fragmented as pre-Oslo, if not worse off. Even before international aid started decreasing there was limited success of the aid actually contributing to the original defined goals for Palestinian economic success.¹³⁵

One problem is that aid designated for civil society organizations have been very selective. In the case of organizations that help women, the majority of the aid has gone to a few NGOs rather than the ones who need it the most. Within the international aid process civil society organizations have become both more professionalized and more politicized. This has led to organizations becoming more focused on meeting the requirements of Western aid donors rather than the people within the region who need the services they offer. On the ground in Palestine this practice has led to more inequality rather than less. Due to the fact that donors have the power to decide where their aid is used there has been a trend of excluding Islamist organizations or those that have ties to possible Hamas affiliated or Islamist organizations. The exclusion of Islamist organizations from receiving donor aid is particularly detrimental to the situation as they are active organizations that serve a large portion of the population. This ultimately means that donor aid is influenced by the notion that they must support how Israel positions their security concerns rather than real progress for Palestine.¹³⁶

Another issue with foreign aid has been the decline of focus on development policies in Palestine. In the years immediately following Oslo there was a focus on the belief that economic development could lead to conditions of peace, hence a prioritization on development. However, following the Intifada in the early 2000s there has been an international shift to aid now flowing to institution building and good governance practices. The below table illustrates that prior to the Second Intifada (starting in September 2000) development held 88.1% share of donor support,

¹³⁵ Farsakh, Leila. 2016. "Undermining Democracy in Palestine: The Politics of International Aid since Oslo." *Journal of Palestine Studies* 45(4): 48-63. Pg 48.

¹³⁶ Ibid, Pg 59.

but in the years succeeding it, support for development dropped to only 28.4% of donor support.¹³⁷

Category	1999–2000			2001–2004		
	Total	Annual average	Share in total (in per cent)	Total	Annual average	Share in total (in per cent)
Development	930.5	465.2	88.1	1163.2	290.8	28.4
Emergency	99.0	49.5	9.4	1186.0	296.5	29.0
Budget support	24.2	13.6	2.6	1742.1	435.5	42.6
Total support	1056.6	528.3	100.0	4091.2	1022.8	100.0

Table 4: Donor support to the PA by major category (USD/millions)
Source: Taghdisi Rad 2015

Sector	Aid Allocation 1994-2000			Aid Allocation 2000-2006		
	Total committed	Total disbursed	% disbursed	Total committed	Total disbursed	% disbursed
Agriculture	28,520,362	14,870,389	52	31,072,735	30,516,091	98
Budget Support	4,635,000	4,381,211	95	1,449,641,295	1,458,610,006	101
Education	114,779,769	89,310,207	78	222,711,009	89,133,165	40
Employment generation	2,232,000	10,704,387	480	185,748,448	74,290,189	40
Energy	86,465,560	79,440,278	92	283,241,624	39,308,404	14
Gender	11,133,366	5,187,156	47	13,867,740	7,985,260	58
Health	68,190,086	61,110,180	90	186,194,585	94,888,064	51
Human Rights / Civil Society / Democracy	118,619,815	73,091,456	62	305,582,588	152,355,992	50
Humanitarian Aid	68,325,199	45,765,059	67	226,754,783	177,682,447	78
Infrastructure	290,083,841	188,468,059	65	370,574,322	258,206,518	70
Institution building	156,966,418	85,074,006	54	356,337,300	231,464,686	65
Multiple sector	80,736,668	29,600,902	37	132,291,606	96,088,137	73
Private Sector Development	150,693,301	61,166,560	41	148,821,630	95,665,881	64
Solid waste	21,681,968	9,560,921	44	38,264,001	15,653,642	41
Support to UNRWA	16,163,309	33,418,830	207	1,093,834,981	1,054,230,036	96
Tourism	27,261,839	24,695,559	91	41,953,927	25,247,827	60
Water and Sanitation	380,058,221	230,835,336	61	388,495,753	215,306,666	55
Youth	9,826,083	7,519,825	77	37,615,266	6,922,161	18
Total	1,636,372,807	1,054,200,321	64	5,513,003,594	4,123,555,172	75

Table 5: Comparing aid allocation pre and post-Intifada in Palestine
Source: Taghdisi Rad 2015

The above table denotes the changing trends in international financial support for Palestine. While total financial support was still increasing in the years after the Second Intifada, there was a significant shift in where the money was going to. The yellow highlighted sections

¹³⁷ Taghdisi Rad, Année. 2015. "Political Economy of Aid in Conflict: An Analysis of Pre- and Post-Intifada Donor Behaviour in the Occupied Palestinian Territories." *Stability: International Journal of Security and Development* 4(1): 1-18. Pg 10.

illustrate economic sectors which saw a decrease in actual percentage disbursed financial support, in comparison to what was committed, after the Intifada. Employment generation saw the biggest hit, declining from 480% disbursed pre-2000 to only 40% disbursed post-2000. Support for energy, education, health, sanitation and UNRWA also decreased. All of these are considered developmental sectors of the economy. What is interesting is that total percentage disbursed for human rights / civil society / democracy also decreased, but when the actual monetary disbursed total in USD is taken into account, support doubled for this sector. The table also illustrates that there was an increase in percentage disbursed for both budget support and institution building. These sectors also saw major increases in total USD disbursed. Budget support for example jumped from \$4,381,211 to \$1,458,610,006.

This shift away from developmental sectors has provided some Palestinian families with support, though not those who are most in need. It has also prevented the total collapse of the Palestinian economy. However, the focus of international financial aid on institution building does not address the real issue. Donors have fixated on weak-institutions in Palestine, yet the main obstacle for progress has remained the occupation's policies, specifically the economic ones previously discussed, which donors have refused to address and have actually brushed aside by focusing on institution building instead.¹³⁸ This failure of donors to incorporate such a vital consideration into their programs and projects has meant a failure to address the actual needs of the Palestinian economy and the origins of its weaknesses. In turn, it has created an environment where the Palestinian economy has become dependent on foreign aid and has actually made the Israeli occupation less costly and will allow Israel to sustain its practices in the long-term. The occupation has become less costly for Israel as international aid is being used to fund projects and services in the Palestinian Territories rather than Israel having to use their own resources. This makes the situation more sustainable as it is less of a financial burden on

¹³⁸ Ibid, Pg 13.

Israel and yet they still hold the balance of power as the occupying power in control of most of the region.¹³⁹

Israeli security concerns

Israel's preoccupation with security as a means of peace pre-dates the Oslo peace processes but many of their security concerns were verbalized during this process and have since dictated the occupation's policies. The first major security concern that Israel faced, and to some degree still faces today, is that there were actors in the region, both terrorist organizations and states, which believed Israel did not have the right to exist. A related early security concern was the question on if Palestinians had the right of return to the pre-1967 territory of Israel.¹⁴⁰ The third security concern involved the transfer of land within the West Bank and Gaza back to the authority of the Palestinians. The common denominator between these three security concerns is that there remains a fear that if Israel pulls out their administrative and military presence in the Occupied Territories, it would lead to attacks from Palestinian extremists who would now be in closer proximity to Israel and Israeli society.¹⁴¹

Today, Iran still implements a policy of encouraging ordinary Palestinians, and those affiliated with organizations like Hamas and Hezbollah, to use attacks against Israel as a strategic policy to push the conflict forward.¹⁴² 813 Israeli citizens have been killed in the 17 years since the beginning of the Second Intifada. This number includes 135 minors and 522 casualties within Israel-proper (excluding the Occupied Territories). These casualties were the result of suicide bombings, shootings, stabbings, rocks being thrown at cars and the firing of mortar shells and rockets from within Gaza.¹⁴³ These incidents have been decreasing since the

¹³⁹ Ibid, Pg 14.

¹⁴⁰ Alpher, Joseph. 1994. "Israel's security concerns in the peace process." *International Affairs* 70(2): 229-241. Pg 230.

¹⁴¹ Ibid, pg 235.

¹⁴² Shay, Shaul. 2017. *The Axis of Evil: Iran, Hizballah and the Palestinian Terror*. Routledge: New York. Pg 4.

¹⁴³ "Targeting of Israeli citizens by Palestinians." 11 November 2017. *B'Tselem*. Accessed 02/16/19. https://www.btselem.org/israeli_civilians

end of 2008, as the below table demonstrates. In the first eight years, 731 Israeli civilians were killed by Palestinians in the Occupied Territories and Israel, compared to only 89 Israeli civilian deaths in the latter eight years. The number of Israeli security forces personnel killed also decreased from 332 casualties to 95. The table also illustrates that overall casualties caused by the conflict started decreasing after 2008 as the number of Palestinian casualties also decreased.¹⁴⁴

	29 September 2000 - 26 December 2008				19 January 2009 - 31 December 2018			
	Occupied Territories			Israel	Occupied Territories			Israel
	Gaza	West Bank	Total		Gaza	West Bank	Total	
Palestinians killed by Israeli security forces	2998	1798	4791	69	2980	399	3379	41
Palestinians killed by Israeli civilians	4	40	44	2	0	26	26	5
Israeli civilians killed by Palestinians	39	201	240	491	0	58	58	31
Israeli security force personnel killed by Palestinians	97	146	243	89	46	21	67	28
Foreign citizens killed by Palestinians	10	7	17	37	1	1	2	6
Foreign citizens killed by Israeli security forces	4	6	10	0	5	2	7	1
Palestinians killed by Palestinians	475	135	610	0	67	4	71	1

Table 6: Fatalities in the conflict between 2000-2018
Source: B'Tselem statistics on fatalities

However, since September 2015 there has again been an increase in violence towards Israel. Israel's Ministry of Foreign Affairs have stated that Islamic and other terrorist factions have called upon the Palestinians, particularly youth, to murder Jews. In this 41-month period Israel has reported 77 deaths and 1195 wounded Israelis. This equates to 223 shootings, 203 stabbings, 73 vehicular attacks and 1 vehicle bombing. There has also been an increase in arson terror, whereby incendiary material such as kites or helium balloons are sent over the border aflame to Israel. This has led to both economic and environmental security concerns. More than 2,600 hectares of land primarily used for agriculture has been damaged and could be inaccessible for farming for years. So far this has cost farmers around two million USD. The ecosystem of this affected area, the Western Negev, has also been damaged. The

¹⁴⁴ "Fatalities since Operation Cast Lead." 2018. *B'Tselem*. Accessed 02/16/19.
<https://www.btselem.org/statistics/fatalities/after-cast-lead/by-date-of-event>

environmental security concerns are related to soil erosion and loss of habitat, leading to a decades long process of recovery and a possibility of limited resources in the region.¹⁴⁵

The Israel Defense Forces (IDF) currently lists the Gaza strip, and the subsequent Hamas and Palestinian Islamic Jihad activities, and the renewal of Palestinian violence in Judea and Samaria (what Israel calls the West Bank) as two of the five major threats that Israel is currently facing.¹⁴⁶ In order for the IDF to better respond to ongoing threats, IDF Chief of General Staff Lt. Gen. Gadi Eizenkot published the “Israel Defense Forces Strategy Document” in 2015. This publication was the first time the IDF has made public the policies that guide their inner workings.¹⁴⁷

The IDF Strategy Document outlines the priorities of the IDF and how they deal with threats to the security of Israel. Emphasis is placed on; preventing the enemy from gaining any territory, stopping terror attacks on the borders before they occur, defense against rockets, mortars and other high trajectory weapons, defending the air, sea and cyberspace, and stopping any major attacks from occurring. Attention is also paid to building up capacity to defend against actors without common borders. These entities would include both cyber-space but also those affiliated with Hamas, Hezbollah and other jihadist organizations within the region.¹⁴⁸

One aspect emphasized in this strategy was deterrence. For the sake of this paper deterrence has been subdivided by different types (i.e. economic, military etc....) but in every case deterrence is defined as an act/policy done by Israel to discourage (i.e. deter, which is used synonymously with prevent) Palestinian violence by way of creating harmful repercussions

¹⁴⁵ “Wave of terror 2015-2019.” February 2019. *Israel Ministry of Foreign Affairs*. Accessed 03/03/19. <https://mfa.gov.il/MFA/ForeignPolicy/Terrorism/Palestinian/Pages/Wave-of-terror-October-2015.aspx>

¹⁴⁶ “The five major threats facing Israel.” 2015. *Israel Defense Forces*. Accessed 02/16/19. <https://www.idf.il/en/articles/terror-and-threats/the-5-major-threats-facing-israel/>

¹⁴⁷ “Israel Defense Forces Strategy Document: Introduction.” 2018. *Harvard Kennedy School: Belfer Center*. Accessed 02/17/19. <https://www.belfercenter.org/israel-defense-forces-strategy-document#introduction>

¹⁴⁸ “Israel Defense Forces Strategy Document: Chapter V.” 2018. *Harvard Kennedy School: Belfer Center*. Accessed 02/17/19. <https://www.belfercenter.org/israel-defense-forces-strategy-document#chapter-v>

for their acts or by making violent acts more difficult to perpetrate. The most aggressive form of deterrence is if Israel is physically attacked, they will attack back causing more death and destruction than what was inflicted on them so that a subsequent attack by the same perpetrators does not occur. This will be defined as military deterrence. In order for this to be an effective policy Israel has to clearly indicate what lines cannot be crossed, their capability to cause more pain than what would be caused to them, and their credibility about retaliation. Israeli officials repeat in both Hebrew and Arabic what lines cannot be crossed so enemy actors know when there would be consequences to their actions. Military deterrence is also unique to the enemy, their goals and what they will believe is too high of a cost. For example, after two Palestinians opened fire in a Tel Aviv shopping mall as a lone-wolf attack Israel demolished their homes and took punitive steps against their families and communities as retaliation.¹⁴⁹

A different form of deterrence that Israel has employed is that of economic restrictions or economic control over Palestinians. This will be defined as economic deterrence, as Israel is using economic repercussions as a means to deter Palestinian violence. Israel currently controls the administration of work permits to those Palestinians wishing to work in Israel, or even more broadly, for the operating of mines or building permits in the West Bank. The mentality goes that having this control over Palestinians will entice them to behave so that they continue to have access to these economic opportunities. In this case Palestinians are theoretically weighing the cost of economic opportunities against violence against Israel. Palestinians are deterred from committing violent acts against Israel if they wish to maintain or obtain work or building permits.

Another form of economic deterrence is the use of the Dual List. As mentioned earlier in this paper, this list can make it more difficult and/or more expensive for Palestinians and Palestinian companies to import items into Palestine. Items are placed on this list for their ability

¹⁴⁹ Allison, Graham. 8 August 2016. "Why ISIS fears Israel." *Harvard Kennedy School: Belfer Center*. Accessed 02/17/19. <https://www.belfercenter.org/publication/why-isis-fears-israel>

to be used, alongside their conventional civilian intentions, to develop, produce, install or enhance military or terrorist activities. Israel includes every item on the 240-page Wassenaar Arrangement as part of the Dual List.¹⁵⁰ In addition to this extensive list Israel also controls the importation into Palestine of a variety of chemicals which could be used in the creation of explosives, metal profiles such as ball bearings and composite materials like hunting knives to name a few. The reason the Dual List is enforced is due to the fact that a majority of the Palestinian attacks against Israel are low-tech attacks that use items on the list. The Dual List is a form of economic deterrence as it deters violence by making it harder to obtain such materials that could be used for attacks to be planned and perpetrated.¹⁵¹

However, economic deterrence will only work in the short term, as the following example will illustrate. Immediately after the outbreak of the Second Intifada the number of work permits in Israel drastically decreased. This was Israel's retaliation for the violent attacks against them, eliminating economic opportunity for Palestinians. Economic deterrence in this case did not have the same intended effects of stopping further violence from occurring as the Intifada was not an isolated incident but rather an event that took place over a number of years. Due to the fact that the Intifada lasted for years and the number of work permits for within Israel remained low, economic deterrence as a security measure was not fully effective. As Palestinian economic prospects remained low during the Intifada, in some cases the motivation to become involved with the violence increased as a cost-benefit analysis of the situation revealed that they

¹⁵⁰ "Wassenaar Arrangement on export controls for conventional arms and dual-use goods and technologies." December 2018. *Wassenaar Arrangement*. Accessed 03/03/19. Pg 9. <https://www.wassenaar.org/app/uploads/2018/12/WA-DOC-18-PUB-001-Public-Docs-Vol-II-2018-List-of-DU-Goods-and-Technologies-and-Munitions-List-Dec-18.pdf>

¹⁵¹ "Gaza: list of controlled entry items." 4 July 2010. *Israel Ministry of Foreign Affairs*. Accessed 03/03/19. https://mfa.gov.il/mfa/foreignpolicy/peace/humanitarian/pages/lists_controlled_entry_items_4-jul-2010.aspx

had little to lose economically by becoming involved with the violence as they were already under or unemployed.¹⁵²

Another major form of deterrence that Israel uses is that of restricting movement within the West Bank, and between the Occupied Territories and Israel. This will be defined as mobility deterrence, as Israel is using the physical presence of a barrier and military checkpoints to deter from Palestinian violence within Israel. The most obvious form of restricting movement is the Separation Barrier. The structure was built during the Second Intifada when there were major terrorist attacks against Israeli public places. During the Second Intifada, which lasted three years, there were over 70 suicide bombing attacks that took the lives of over 300 Israeli citizens. The majority of these attacks were perpetrated by Palestinians coming from the West Bank. These attacks gave rise for the need to build the Separation Barrier and to create restrictions of movement within the Occupied Territories to make terrorist attacks harder to be perpetrated. The Barrier and checkpoints helped deter attacks against Israel as it made the perpetration of violent attacks more difficult as it became harder to reach Israeli territory. In the three years immediately following the Second Intifada, once a large portion of the Separation Barrier had been completed, there were only 12 suicide bombings against Israel.¹⁵³

Under the Oslo Accords Article 36 B.3 it stated that the “Palestinian side has the right to establish its own telecommunications policies, systems and infrastructure.”¹⁵⁴ Despite this article, it has not been until recently that Israel has allowed Palestine to implement 3G networks across the West Bank. This is due to the security concerns that a growing telecommunications sector

¹⁵² Miarrai, Sami, Zussman, Asaf and Noam Zussman. 2014. “Employment restrictions and political violence in the Israeli-Palestinian conflict.” *Journal of Economic Behaviour and Organization* 101 (complete): 24-44. Pg 40.

¹⁵³ Bybelezer, Charles and Terrance Mintzner. 17 December 2018. “Israel’s border walls: a case study for Trump’s mantra.” *The Jerusalem Post*. Accessed 02/23/19. <https://www.jpost.com/Arab-Israeli-Conflict/Israels-border-walls-A-case-study-For-Trumps-mantra-574517>

¹⁵⁴ “The Israeli-Palestinian Interim Agreement- Annex III.” 28 September 1995. *Ministry of Foreign Affairs - Israel*. Accessed 02/27/19. <https://mfa.gov.il/mfa/foreignpolicy/peace/guide/pages/the%20israeli-palestinian%20interim%20agreement%20-%20annex%20iii.aspx#app-36>

entail. Israel used restricting access to more advanced levels of telecommunications as a form of deterrence from attacks against Israel. This will be defined as infrastructure deterrence, as the restriction of such infrastructure helped Israel deter from Palestinian attacks.

One concern with telecommunications infrastructure has become cyber warfare. The progress that has been made in the IT sector has led to a twinning of military computer infrastructure with their civilian counterparts. Computers have therefore become both a weak point but also a means to wage war against an opponent. The IDF has become more dependent on computers for the deployment of their land, sea and air operations. During Operation Protective Edge in Gaza in 2014 Israel had to also defend itself from cyber-attacks perpetrated by Hamas and Hezbollah. It is therefore imperative to protect these systems as they play a vital role in the overall security of Israel. Enhanced data networks, including faster connections, mean easier access for Palestinian affiliated terrorists to wage cyber warfare on the Israeli state. A more basic concern with more efficient telecommunications infrastructure is the enhanced ability of people to communicate with each other. Including those with untoward intentions towards Israel.¹⁵⁵ The above noted instances are reasons for why Israel has restricted Palestinian access to telecommunications infrastructure as they are trying to deter cyber-attacks from occurring and discourage people from using the infrastructure to perpetrate attacks.

As this section illustrates, Israel has faced, and continues to face, numerous security concerns from cyber warfare to low technology attacks like stabbings. This environment has led Israel to implement different security policies to try to deter Palestinian extremists from attacking Israel. These policies can be broadly defined as deterrence. Each type of deterrence discussed in this section (military, economic, mobility and infrastructure) impose different restrictions, with the ultimate goal of creating unfavorable conditions and/or repercussions which will discourage attacks against the state.

¹⁵⁵ Baram, Gil. 2017. "Israeli defence in the age of cyber war." *Middle East Quarterly* 24(1). Accessed 02/27/19. <https://www.meforum.org/6399/israeli-defense-in-the-age-of-cyber-war>

Conditions for peace?

A common question in the Israeli-Palestinian conflict is: is there a middle ground that both sides can agree to that would help in resolving the current situation? As Israeli Finance Minister Moshe Kahlon has stated, the key to peace is economic prosperity in the West Bank. Some on the right have used this argument towards their goal of substituting a two-state solution for an Israeli state governing over an economically independent Palestinian territory. However, there is truth in the statement that economic prosperity in the West Bank could help foster peace. This is due to the fact that if Palestinians have access to the same services and a closer standard of living to Israelis, they are less likely to violently oppose occupation policies, helping to foster peace on a people-to-people level. This is an important first step in building trust between the two sides so that political peace is achievable and sustainable. Shimon Peres, former Prime Minister of Israel, argued in the 1990s that Palestinians would be less likely to fight Israelis if they had more to lose. Living in poverty, with limited access to resources and services, gives Palestinians little motivation not to lash out at Israel, in this case in the form of violence. Kahlon has meet with numerous PA officials in the hopes of creating a joint plan that would involve a joint industrial zone, free movement and the ability of the PA to collect their own taxes. These initiatives are building blocks in fostering peace through Palestinian economic independence.¹⁵⁶

This is not a new policy idea. After the 1967 War there was a movement by Moshe Dayan, then the Defence Minister of Israel, for economic integration. The premise of the policy was that Israel as an occupying power should take responsibility for Palestinian economic welfare by allowing those in the Territories to work within the borders of Israel. The argument went that higher incomes, and therefore lower unemployment in the Occupied Territories, would

¹⁵⁶ Ackerman, Gwen. 22 August 2018. "Israeli Finance Minister sees West Bank economy as key to peace." *Bloomberg*. Accessed 02/11/19. <https://www.bloomberg.com/news/articles/2018-08-22/israeli-finance-minister-sees-west-bank-economy-key-to-peace>

lead to less resistance against the occupation. This in turn would mean that Palestinians would be more invested in Israel, and less likely to get involved, violently or otherwise, in the conflict. This economic policy was proposed by Dayan, because at its heart economic prosperity is linked to security.¹⁵⁷

Using Kahlon's current plan as a model, this chapter will delve deeper into possible ways that the two sides could foster peace. But first it is important to understand what peacebuilding is and its role in progressing towards stability in the region. Peacebuilding is a long process that starts before a formal peace agreement is initiated and can end long after it has been signed.¹⁵⁸ It attempts to alter perceptions of the conflict on a grassroots and community level in order to change the warlike tendencies of those involved. This fundamental change is important as it hopes to create systematic change in order to prevent future conflict from occurring.¹⁵⁹ Efforts in the late 1990s and early 2000s have revealed that for peacebuilding to be successful in the region there needs to be equality between Israeli and Palestinian participation. When the Israeli side was seen as more dominant it limited the success of the initiatives¹⁶⁰.

At the UNSC 8375th meeting (October 2018) on "The situation in the Middle East, including the Palestinian question" the representative from Uruguay brought up a valid point. Mr. Bermúdez Álvarez stated that "we must work to develop the economic potential of the region and solid avenues of cooperation."¹⁶¹ This emphasizes the point that economic development, communication and equal cooperation are the keys to creating stability in the region by fostering

¹⁵⁷ Miarrai, Sami, Zussman, Asaf and Noam Zussman. 2014. "Employment restrictions and political violence in the Israeli-Palestinian conflict." *Journal of Economic Behaviour and Organization* 101 (complete): 24-44. Pg 25.

¹⁵⁸ Maoz, Ifat. 2004. "Peace Building in Violent Conflict: Israeli-Palestinian Post-Oslo People-to-People Activities." *International Journal of Politics, Culture and Society* 7 (3): 563-575. Pg 564.

¹⁵⁹ Ibid, Pg 565.

¹⁶⁰ Ibid, Pg 570.

¹⁶¹ "(S/PV.8375 (Resumption 1) 8375th meeting on the situation in the Middle East, including the Palestinian question." 18 October 2018. *United National Security Council*. Accessed 03/04/19. Pg 27. https://www.securitycouncilreport.org/atf/cf/%7b65BF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7d/s_pv_8375_res_1.pdf

peace between the peoples. Currently there is a lacking in all three, but particularly in communication and equal cooperation following the American move to recognize Jerusalem as the Israeli capital. Palestinian President Abbas has refused to work in an American led peace process, asking for a multilateral process, while Israel refuses to consider anything but an American led process.¹⁶²

Over the following pages, economic development, communication and equal cooperation initiatives in relation to fostering peace in the conflict will be discussed. While the first example, industrial zones, explicitly deals with Palestinian economic development, open communication and equal cooperation initiatives also play implicit roles in the economic narrative that has been discussed throughout the course of this paper. Without open communication and equal cooperation between the two sides it will be impossible to create policies towards Palestinian economic development as there will be no incentive to change the status quo. This is why this section discusses all three types of initiatives (and their more specific examples) as necessary policy recommendations in order to create conditions for peace in the region.

One policy example that would aid in Palestinian economic development is the creation of designated industrial zones. This allows for increased Palestinian economic prosperity within the realms of the current status on negotiating a final peace agreement. Israel has slowly been granting Palestine limited access to further economic development by means of designated industrial zones. The most recent announcements have been on the Tarqoumia industrial

¹⁶² Rasgon, Adam. 19 February 2018. "In Ramallah, Israeli Finance Minister urges Palestinians to return to US-led peace talks." *The Jerusalem Post*. Accessed 03/04/19. <https://www.jpost.com/Arab-Israeli-Conflict/Finance-minister-tells-Palestinians-to-return-to-US-brokered-peace-process-543082>

park.¹⁶³ Once completed, Tarqoumia, will be the fifth industrial zone, after Jericho, Bethlehem, Gaza and Jenin (all of which are in Area A of Palestine – under full control of the PA).¹⁶⁴

The industrial and agricultural zone of Jericho has become a pillar of Palestinian food security. This project of creating sustainability in the West Bank has been backed by the Japan International Cooperation Agency (Jica). Early estimates indicated in 2009 that the park could generate some \$41 million USD annually, as well as provide jobs to 3,700 individuals. In order to facilitate this job creation, Jica supplied 2,600 solar panels to power the industrial zone so that the small and medium enterprises could function. For example, these companies produce dairy products, packaged dates and vegetables and work with plastics.¹⁶⁵ In early 2018, Japan indicated that they wanted to expand the scope of the industrial zone in Jericho. At that time the industrial zone already housed nine factories. Japan was looking to add 32 more, employing a further 5,000 Palestinians. This expansion was supported by the Israeli Minister of Economy, Eli Cohen, who stated that the “development of the industrial zone is in the interest of all parties.”¹⁶⁶

Currently, all the industrial zones are housed in Area A of Palestine. Under the 1993 Oslo Accords Area A is completely controlled, both military and civilian affairs, by the PA. Area C on the other hands remains under the complete control of Israel, even though under the terms of the Oslo Accords they were to have gradually handed over civilian and military responsibility to the Palestinians.¹⁶⁷ In fact, Palestine currently only has access to less than 1% of the land of

¹⁶³ “Economic monitoring report to the Ad Hoc Liaison Committee.” 18 September 2017. *The World Bank*. Accessed 03/17/19. Pg 26. <http://documents.worldbank.org/curated/en/326211522099010647/pdf/AHLC-Report-September-2017.pdf>

¹⁶⁴ “Invest in Palestine: A manual regarding PIPA incentives.” 2016. *DEIK Turkey - Palestine Business Council*. Accessed 03/17/19. Pg 4. <https://ticaret.gov.tr/data/5b8a43345c7495406a226d95/Invest%20in%20Palestine.pdf>

¹⁶⁵ Ford, Liz. 18 June 2012. “Jericho business park plans to inch Palestine towards sustainability.” *The Guardian*. Accessed 03/17/19. <https://www.theguardian.com/global-development/2012/jun/18/jericho-business-park-palestine-sustainability>

¹⁶⁶ “Israel, Jordan, PA, Japan discuss expanding Jericho industrial zone.” 3 May 2018. *Middle East Monitor*. Accessed 03/17/19. <https://www.middleeastmonitor.com/20180503-israel-jordan-pa-japan-discuss-expanding-jericho-industrial-zone/>

¹⁶⁷ Kersel, Morag. 2015. “Fractured oversight: The ABCs of cultural heritage in Palestine after the Oslo Accords.” *Journal of Social Archaeology* 15(1): 24-44. Pg 27.

Area C, which makes up 60% of the West Bank. The creation of industrial zones in Area C is the next logical step in the process of diversifying the Palestinian economy. Area C is open territory in comparison to Areas A and B which are overcrowded, making it ideal to create industrial or agricultural zones. There are a variety of ways that these industrial zones could be implemented. The expansion of industrial zones into Area C could border neighbouring Palestinian cities in Areas A and B to lower the security risks for Israeli settlers in Area C. A more equal cooperation policy option could be that these industrial zones in Area C are the joint venture that Minister Kahlon has envisioned for the region.¹⁶⁸ The point being, they are a feasible middle ground as they allow for Palestinian economic development while Israel does not have to cede complete control over the area.

In moving forward, a good policy towards finding a middle ground and creating conditions for peace would be to utilize the civil society organizations on the ground to open lines of communication. Civil society organizations can help to facilitate communication between Israel and Palestine by assisting in re-establishing links between the two communities. This helps in breaking down the ingrained prejudices prevailing in society and opens a dialogue for peace on a people-to-people level.¹⁶⁹ Civil society organizations can therefore be useful in capacity-building and helping in creating the building blocks for peace by creating lines of communication and understanding between the two sides.¹⁷⁰ Capacity-building can lead to the empowerment of the marginalized group, in this case the Palestinians. This is due to the fact capacity-building works to reduce economic and social inequalities, in hopes of alleviating

¹⁶⁸ Ackerman, Gwen. 22 August 2018. "Israeli Finance Minister sees West Bank economy as key to peace." *Bloomberg*. Accessed 02/11/19. <https://www.bloomberg.com/news/articles/2018-08-22/israeli-finance-minister-sees-west-bank-economy-key-to-peace>

¹⁶⁹ Isleyen, Beste. 2015. "Governing the Israeli-Palestinian peace process: The European Union Partnership for Peace." *Security Dialogue* 46(3): 256-271. Pg 261.

¹⁷⁰ Ibid, Pg 262.

discriminations. It creates the groundwork for a less asymmetric situation and possible equal cooperation.¹⁷¹

In theory, utilizing civil society organizations would be a feasible way to create both lines of communication and more equal cooperation in the peace process. It starts a grassroots change that works its way up to the political level as societal views shifts. One major issue with this possible course of action is that societal change is slow to take hold, but that does not mean that this should not be pursued. For this initiative to create progress, there also needs to be the involvement of many organizations working within their own niches of society. That being said, grassroots movements to create better communication and understanding between the two sides is already occurring in the region.

Roots is a local Palestinian-Israeli committee of activists that operate under Bet HaTeatron, an Israeli not-for-profit. It started in January 2014 as a simple meeting between local Palestinian and Israeli families in the Gush Etzion region. The organization believes that direct connections with the other community will break down ingrained stereotypes, mostly surrounding violence from the other side, and replace the isolation and misunderstanding with understanding, humanity and trust. All of which is necessary to build political peace.¹⁷²

In order to facilitate the breaking down of such stereotypes, Roots offers a number of local initiatives. There are partnership lectures, which discuss (in Hebrew and Arabic) all points of the others' society in order to raise awareness of what life is actually like for the other side. There are youth groups for high school students, as well as a week long summer camp. Both of which provide a fun environment for children to learn more about the others' culture and instill humanity for the other into their narratives of their shared history of growing up within the conflict zone. In times of increased tensions there is also a 'points of calm' program, which works to reduce the chance of violent escalations between neighbors. A groundbreaking

¹⁷¹ Ibid, Pg 263.

¹⁷² "About Us." 2019. *Friends of Roots*. Accessed 03/17/19. <https://www.friendsofroots.net/about>

initiative has been the 'pre-army academies' program. Over 3,000 Israeli youth on the cusp of their mandatory military time have taken part in the program. It exposes them to the realities of Palestinians in the West Bank, as well as Israeli settlers, so they have a better understanding of the people and situations they will come across during their military service.¹⁷³ What Roots is doing is simply one example of how local grassroots organizations can create the societal change necessary to create peace in the region. Other regional actors with similar missions and initiatives include Bat Shalom and Ta'ayush.

An example of an initiative that creates more equal cooperation between the two sides is the utilization of Track Two diplomacy. Track Two diplomacy remains ambiguous in its definition, making it flexible to the needs of each situation. However, the definition first given by Joseph Montville is best suited to describe the Israeli-Palestinian situation:

Unofficial, informal interaction between members of adversarial groups or nations with the goals of developing strategies, influencing public opinion, and organizing human and material resources in ways that might help resolve the conflict.¹⁷⁴

Track Two diplomacy is a necessary component for equal cooperation and building peace as it is able to deal with parts of the conflict resolution that cannot be negotiated. This includes things such as people's cultural or societal identity, their recognition and personal safety. All of which are important factors in this conflict. Addressing these values are integral in re-assuring those directly impacted by the conflict that their basic human needs are also being addressed. Track Two is then the stepping stones from which official political negotiations can be based off of. The dialogues, meetings and workshops that are carried out under Track Two diplomacy between members from both sides of the conflict are necessary in order to gain public support for the peaceful resolution of the conflict.¹⁷⁵

¹⁷³ "Initiatives." 2019. *Friends of Roots*. Accessed 03/17/19. <https://www.friendsofroots.net/initiatives-1>

¹⁷⁴ Jones, Peter. 2015. *Track Two Diplomacy in Theory and Practice*. Stanford University Press: Palo Alto, California. Pg 9.

¹⁷⁵ De Vries, Maya and Ifat Maoz. 2013. "Tracking for peace: Assessing the effectiveness of Track Two Diplomacy in the Israeli-Palestinian conflict." *Dynamics of Asymmetric Conflict* 6(1-3): 62-74. Pg 63.

The Israeli-Palestinian conflict is asymmetrical in nature due to the significant strength of the Israeli military and economy in comparison to their Palestinian counterparts. Such a scenario lends itself to Track Two as it is a venue where both sides can discuss their disagreements and look to find potential solutions, all while considering the differences in strength from each side, how that is perceived, and its impact on the conflict.¹⁷⁶ Track Two was first used in the Israeli-Palestinian conflict in the early 1970s when Herbert Kelman first started the Israeli–Palestinian Interactive Conflict Resolution Workshops. Kelman’s work on the conflict has resulted in numerous revelations, including the impact of existential identity and that the threat to national identity remains at the heart of the conflict for both sides. These were important revelations in understanding how each side was coming to the table during Track Two meetings, but also in formal peace negotiations. The significance of Track Two is that each side is coming to the table more as equals, in comparison to formal talks. This means there is a change in perception on their ‘all-or-nothing’ view of the conflict as there is a better recognition of the other sides’ narrative.¹⁷⁷

To date, the most significant and successful Track Two diplomacy in the conflict has been the Oslo Talks that preceded the official 1993 Oslo Peace Accord. The entire process began with unofficial talks between Palestinians affiliated with the PLO and Israeli academics and culminated with the signing of the official Accord in Washington, DC.¹⁷⁸ The talks began in January 1993, under the guise of an academic conference in Oslo, and discussed topics like the living conditions within the West Bank for Palestinians.¹⁷⁹ As part of this Track Two dialogue, a draft of the Declaration of Principles was written. Within this six-page document it contained articles that dealt with the development of the Palestinian economy, regional development and

¹⁷⁶ Ibid, Pg 63.

¹⁷⁷ Ibid, Pg 64.

¹⁷⁸ Cuhadar, Esra and Bruce W. Dayton. 2012. “Oslo and its Aftermath: Lessons Learned from Track Two Diplomacy.” *Negotiation Journal* 28(2): 155-179. Pg 159.

¹⁷⁹ Makovsky, David. 2018. *Making Peace with the PLO: The Rabin Government’s Road to the Oslo Accord*. Routledge: New York, NY. Pg 21.

the status of Jerusalem. Much of what was drafted was either in the final version of the official Accord, or served as the basis for one of those articles. This achievement emphasizes the importance of Track Two diplomacy in creating equal cooperation between the two sides. It was co-drafted between the two sides and allowed for progressive articles, like Israel agreeing to negotiate the status of Jerusalem, due to the open forum in which these issues could be discussed.¹⁸⁰

While the Oslo Peace Accord ultimately failed in its objective of creating peace and stability in the region through the roll out of a successful two-state solution, the preceding Track Two diplomacy illustrates the benefits of more equal cooperation in reaching a peaceful solution. Moving forward, it is necessary to continue to engage in Track Two diplomacy to enhance more equal cooperation between the two sides. In particular, NGOs in the region or who work on this issue, should be better utilized as non official actors in the peace process as they promote a willingness to negotiate from both sides. Their status allows them to better address the more contentious issues of the conflict, in part because they lack the political and material leverage, and are generally seen to be more neutral parties, allowing for open discussion without third party bias or influence. For this reason, NGOs are better able to find a middle ground (a more equal compromise with equal cooperation to get there).¹⁸¹

Conclusion

With the current state of affairs in the region there is little hope of the two sides coming together to sign a formal peace agreement to the conflict. The continued presence of Israeli economic and social restrictions, in conjunction with diminishing international financial support, have not only caused Palestinian economic disparity but have also contributed to the conflict. In many cases the implementation of these restrictions is justified by valid Israeli security

¹⁸⁰ Ibid, Pg 31.

¹⁸¹ Hoffmann, Claudia and Carolin Goerzig. 2016. "Influencing Negotiation Willingness in the Middle East: The Potential Contributions of Private Actors." *Negotiation Journal* 32(2): 151-163. Pg 152.

concerns. The opportunity for the Palestinian economy to authentically grow needs to be balanced with ensuring the continued security of the State of Israel. This will remain a complicated situation. However, there are moderate policies that Israel and Palestine can support or implement to help alleviate tensions in the region, creating conditions for peace and a future peace agreement. These policies include: Israel slightly opening up Palestinian access to Area C in order to create industrial zones and more economic opportunities, which could also be a joint venture with Israel; the utilization of civil society organizations in opening up the lines of communication between the two sides which will create a better understanding of the other sides' narrative, reducing the likelihood of violence; and continuing to support Track Two diplomacy in order to create equal cooperation and an environment where the contentious issues of the conflict can be discussed openly.

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