

## Symposium: Palestine — an economy in conflict

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This year marks the 60th anniversary of the creation of the state of Israel — and of the Palestinian *nakba*, whereby over 700,000 Palestinians were forcibly expelled or fled from their homes in the course of the fighting, initiating one of the longest-running conflicts in the world today. Of the many aspects of the conflict that are debated worldwide, the economic one perhaps attracts less detailed attention. This symposium addresses this gap, focusing specifically on the impact of conflict on the Palestinian territories of the West Bank and Gaza Strip (WBGS), which have now been under Israeli occupation for over 40 years.

That the Palestinian economic situation in the WBGS is grim is beyond dispute, especially in the Gaza Strip which is subject to a virtual siege that keeps out all but the barest humanitarian supplies. The articles in this symposium probe this situation in some detail, looking at the roots of the territories' economic problems in terms of the nature of their one-sided relationship with Israel, as well as their relations with the outside world and their own internal economic structures.

Aamer Abu-Qarn's article, "Six decades of the Israeli-Arab conflict," provides a broad overview of the conflict. It summarizes the conflict's chronology, then surveys the arms race literature as applied to Israel and the Arab states, on the military spending-growth nexus in the region, and on the effect of international military aid and arms transfers on the conflict. These subject matters are among the meat and drink of defense economists, but their application to the Middle East is surprisingly rare, perhaps due to the severe data problems highlighted by Abu-Qarn.

The remaining five articles focus more specifically on the WBGS economy since the beginning of the Israeli occupation following the Six Day War in 1967. Atif Kubursi's and Fadle Naqib's "Economicide" and Osama Hamed's "Economic De-development" both focus on the nature of the economic relationship between Israel and the WBGS — the underlying structures and asymmetries that lie behind the specific developments. The first focuses primarily on the conditions that have applied or that have been developing since the beginning of the occupation; the second on the way these conditions have evolved since the Oslo Accords and the formation of the Palestinian Authority (PA) in 1993. Both highlight a range of Israeli policies that have adversely affected Palestinian economic development, including natural resource transfers, closures, labor market dependency, and asymmetric trade and fiscal relationships. They argue that while bringing improvements in some areas, the Oslo peace process has deepened and accelerated the problems in many more.

Jennifer Olmsted's article focuses on a theme addressed by many of the authors, namely the Palestinian labor market, and in particular how women's labor market participation has been affected by the changes to the Palestinian economy in the

post-Oslo period. She finds that women's labor market participation has stagnated or fallen as tightening competition for jobs and adverse trade conditions have pushed women out of traditional areas of paid employment such as garment manufacture. Although the expansion of the public sector under the PA is criticized by some authors, Olmsted finds that only this sector has provided enhanced opportunities for women's employment, even though that is restricted to more highly educated women.

Numan Kanafani and Samia al-Botmeh discuss the growing food insecurity and malnutrition in the WBGS, addressing both economic and physical factors such as unemployment and destruction of land and property, and closures, checkpoints, and the separation barrier. They also discuss the scope and nature of food aid provided by Palestinian and international organizations, while arguing that efforts should be focused on the underlying causes of food insecurity, lest substantial sections of the Palestinian population become permanently dependent on food aid.

Finally, Basel Saleh's article looks at the Palestinian Authority from the viewpoint of the "fragile state" paradigm, examining the economic roots of this fragility, that culminated in the brief Palestinian civil war in Gaza in 2007, which, in turn, resulted in Hamas' military takeover of the region. While some of these economic causes lie with internal Palestinian factors, such as corruption, for the most part Saleh sees the PA's fragility as the result of Israeli and international policy choices that have made the WBGS to an increasing extent an "economy under siege" for most of the post-Oslo period.

A number of common veins run through these articles: perhaps the strongest is the almost complete lack of control by Palestinians over their own economic destiny. This is due to Israeli control of borders, of movement, of land and water resources, of trade, of currency and taxation, and to a lesser extent of dependence on the international community. These factors have both stunted Palestinian economic development, and made their economy and — as Saleh shows — ultimately their political stability highly vulnerable to Israeli and international policy choices that have used the Palestinian economy as a political weapon.

In some areas, however, different perspectives emerge, for example on the role of the Palestinian public sector. Saleh sees its excessive size as representing a structural weakness in the economy, creating fiscal weakness, engendering corruption, and restricting private sector development. Olmsted, however, while recognizing the long-term unsustainable nature of this situation, points to a more positive aspect: the role of the PA in offering job opportunities in times when external factors have decimated private sector alternatives, and in particular acting as one of the few sources of paid employment for women.

While the Annapolis peace negotiations continue, efforts are also being made by the international community to attract investment to the West Bank and to promote Palestinian economic development, with \$1.4 billion of investment promised at a recent conference in Bethlehem.<sup>1</sup> While such moves are welcome, this symposium would seem to offer a gloomy prognosis for their success so long as the occupation

continues. Real Palestinian control over key aspects of their economy would seem to be a sine qua non for the viability of any future Palestinian state, and therefore of any eventual stable and durable peace agreement.

#### Note

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1. "\$1.4bn pledged for Palestinians." *BBC News*. 23 May 2008.  
[http://news.bbc.co.uk/2/hi/middle\\_east/7417345.stm](http://news.bbc.co.uk/2/hi/middle_east/7417345.stm) [accessed 1 June 2008].