

Socio-Economic Implications of the Israeli Occupation of Palestinian Territories

Vladimir Hlasny

Associate Professor / Ewha Womans University
Jeju Peace Institute

Vladimir Hlasny is currently a visiting research fellow at the Jeju Peace Institute and an associate professor of economics at Ewha Womans University in Seoul. His research is in the areas of welfare economics, labor economics, and industrial organization. In 2015 he served as an economic affairs officer at United Nations Economic and Social Commission for Western Asia in Beirut. He holds a doctorate in economics from Michigan State University.

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World history is replete with tales of colonizing forces inflicting suffering and economic disadvantages on subjugated populations, particularly when the latter sought self-determination. At the same time, history also offers immaculate examples of nation states being (re)united or separated peacefully when heads of state stood firmly by the doctrines of international law, interethnic tolerance, and fair treatment of all population groups affected.

Since the beginning of the Israeli occupation of Palestine in 1967, Palestinian families, businesses, and institutions have endured a repressive regime of security and economic measures meant to thwart and punish opposition as well as induce cooperation. The stringent security and economic regime was tightened in 2000 when the second Palestinian uprising (Intifada) erupted. The uprising raged for over four years, and subsided only in the summer of 2005. The Israeli reaction was to tighten the security and economic regime further to prevent acts of defiance from Palestinians by disempowering local opposition and exemplarily punishing suspected attackers and their families.

Israel started building a separation wall in the West Bank and implemented an economic blockade of the Gaza Strip, in both instances restricting locals' access to resources. Palestinian people could not travel freely even between towns within the same province (governorate), much less so across governorate and state borders. Businesses could not rely on their workers arriving to work and could not import resources or export their products freely. A back-to-back security system forced Palestinian businesses to reload their cargo onto new trucks multiple times during transportation, making it a serious disadvantage compared to the conditions faced by their Israeli competitors.

Palestinian workers were also restricted or periodically fully barred from engaging in employment in Israeli-held territories.

The end of the Second Intifada brought the relaxation of some conditions, but many security and economic policies remained in place or were soon re-enacted, imposing tremendous costs on the Palestinian economy to this day without end in sight. The partial blockade of Gaza was extended into a full blockade in 2007, and in 2008 and 2009 Israel launched military offensives on Gaza in response to Hamas' dominance in Palestine through electoral and military victory over the secular Fatah movement. Hamas and Fatah provisionally reconciled in 2012, but a flare-up of violence between Hamas and Israel in July led Israel to start another military offensive that summer, which was marked by the use of excessive force, leading to thousands of deaths among Gazans. Summer 2014 saw another bout of violence leading to the largest destruction of infrastructure and property and the largest loss of life in Gaza. Schools and medical centers were destroyed. In 2013, Israel cut off supply channels to Gaza through tunnels from Egypt, leading to grave deprivation and uncertainty among civilians and small businesses.

These events have held back and destabilized the economy and social conditions in the West Bank and the Gaza Strip over the past fifteen years. Palestinian GDP contracted between 1999-2002 and only recovered to the 1998-1999 level in 2005. Then it contracted again during 2005-2008 and 2012-2014. Restrictions on the movement of labor and assets – including donors' money and remittances from abroad – and political uncertainty have led to the depletion and flight of capital, “hollowing out of the productive sectors,” and crippling of the economy and public sector from being able to stand up on their own feet. The Palestinian economy has been reduced into low-value agriculture and sectors supplying Israeli industry, which are heavily dependent on the state of the Israeli economy and policy.

Another consequence of the military assaults and economic blockade of Gaza, and the halt of the tunnel economy with Egypt, has been the polarization of the Palestinian society between the West Bank and Gaza. Since 2005, the West Bank's economy has risen rapidly while the Gazan economy has been hemorrhaging, never recovering to its pre-Second-Intifada levels. Palestine today is an entirely divided society with the distribution of income and living conditions in West Bank entirely above the distribution in Gaza. The most destitute households in West Bank enjoy standards of living on par with the most privileged households in Gaza.

On the heels of promising peace negotiations in Annapolis and the Paris Donors Conference between 2009-2012, inflow of donor aid helped prop up public investment and consumption in the West Bank and Gaza. However, reconstruction efforts produced only slow and transient economic recovery. As

of today, the Israeli blockade of Gaza and the system of mobility restrictions throughout the Palestinian territories remain largely in place. Aid promises from foreign donors have exceeded actual disbursements, and Israel has been able to manipulate the Palestinian fiscal position by withholding or delaying the transmission of tax and customs duties (clearance revenues) owed to the Palestinian National Authority.

The regime of armed operations, forced detentions, and closures and land grabs combined with the restrictions on movements of commodities, funds, and people have all left their toll on the Palestinian society. Many sectors of the Palestinian economy have become highly fragile and weakened by the interventionist occupation. The great concern is that these impacts may affect Palestine in the long term, as the lost investment, innovation, and experience ? as well as lost trade routes and lost position in global supply chains ? may take years to recover.

Living and economic conditions across occupied Palestinian territories have been dreadful for long enough. Yet there is little prospect for assuagement of the conditions under the Netanyahu administration held hostage by radical nationalist and religious elements in its coalition. Pressure from the international community over the past two decades has also not helped. What is needed is a change coming from within the Israeli establishment. Grassroots awareness campaigns should bring Israeli voters to realize that true reconciliation, lasting peace, and prosperity for everyone necessitate that all social groups, including Palestinians, be granted the right to self-determination and full integration into the civic, political, and economic life without dependence on external handouts or on the generosity of the Israeli administration in power. Israeli voters should demand this in order to bring back the hope of a decent living and sustainable growth across Palestinian territories, which in turn would promote national unity and prosperity.

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